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PRELIMINARY OFFICIAL STATEMENT DATED _____, 2016

NEW ISSUE – BOOK-ENTRY ONLY

NO RATING

In the opinion of Best Best & Krieger LLP Riverside, California (“Bond Counsel”), subject to certain qualifications described in this Official Statement, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the interest on the 2016A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the 2016B Bonds is subject to all applicable federal income taxation. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See “LEGAL MATTERS — Tax Exemption.”

County of Riverside

State of California

\$5,085,000*

\$1,280,000*

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS
(IMPROVEMENT AREA NO. 2), SERIES 2016A**

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
TAXABLE SPECIAL TAX BONDS,
(IMPROVEMENT AREA NO. 2), SERIES 2016B**

Dated: Date of Delivery

Due: September 1, as shown on the inside cover page

The Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Special Tax Bonds (Improvement Area No. 2), Series 2016A (the “2016A Bonds”) and Taxable Special Tax Bonds (Improvement Area No. 2), Series 2016B (the “2016B Bonds,” and with the 2016A Bonds, the “Bonds”) are being issued and delivered to finance various public improvements needed with respect to the development within Improvement Area No. 2 of the Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the “District”) and regional park improvements to be owned and operated by the City of Riverside (the “City”), to finance certain elementary and secondary school facilities for the Alvord Unified School District (the “School District”), to fund a reserve fund securing the Bonds and to pay costs of administration and issuance of the Bonds. The District has been formed by the City and is located in the in the southwestern portion of the City, in the County of Riverside, California (the “County”).

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to a Fiscal Agent Agreement, dated as of _____ 1, 2016 (the “Fiscal Agent Agreement”), by and between the City, for and on behalf of the District, and U.S. Bank National Association as fiscal agent (the “Fiscal Agent”). The Bonds are special obligations of the District and are payable solely from revenues derived from certain annual Special Taxes (as defined in this Official Statement) to be levied on and collected from the owners of certain taxable land within Improvement Area No. 2 of the District and from certain other funds pledged under the Fiscal Agent Agreement, all as further described in this Official Statement. The Special Taxes are to be levied according to the rates and method of apportionment of special tax approved by the City Council of the City and the qualified electors within Improvement Area No. 2. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” The City Council of the City is the legislative body of the District.

The Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases may be made in integral multiples of \$5,000 and will be in book-entry form only. Purchasers of Bonds will not receive certificates representing their beneficial ownership of the Bonds but will receive credit balances on the books of their respective nominees. The Bonds will not be transferable or exchangeable except for transfer to another nominee of DTC or as otherwise described in this Official Statement. Interest on the Bonds will be payable semiannually on each March 1 and September 1 commencing September 1, 2016. Principal of and interest on the Bonds will be paid by the Fiscal Agent to DTC for subsequent disbursement to DTC Participants who are obligated to remit such payments to the beneficial owners of the Bonds. See “THE BONDS — General Provisions,” “— Book-Entry Only System” and APPENDIX G — “INFORMATION CONCERNING DTC.”

Neither the faith and credit nor the taxing power of the City, the County, the State of California or any political subdivision of such entities is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are special obligations of the District payable solely from Special Taxes and certain other amounts held under the Fiscal Agent Agreement as more fully described in this Official Statement. The Bonds are not secured by Special Taxes levied in Improvement Area No. 1 of the District and any such levy of Special Taxes within Improvement Area No. 1 is not pledged to the repayment of the Bonds.

The Bonds are subject to optional redemption, mandatory redemption prior to maturity from special tax prepayments and mandatory sinking fund redemption as described in this Official Statement. See “THE BONDS — Redemption.”

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

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered when, as and if issued and accepted by Stifel, Nicolaus & Company, Incorporated, the Underwriter, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the City and the District by the City Attorney, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery to DTC in New York, New York, on or about _____, 2016.

* Preliminary, subject to change.

STIFEL

Dated: _____, 2016.

MATURITY SCHEDULE

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS
(IMPROVEMENT AREA NO. 2), SERIES 2016A**

Base CUSIP No.[†] _____
\$ _____ Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.[†]</i>
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\$ _____ Term Bonds

\$ _____ % Term Bonds due September 1, ____ Yield: ____ % Price: ____ CUSIP No.[†] _____

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Underwriter take any responsibility for the selection or correctness of the CUSIP numbers set forth herein.

**COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
TAXABLE SPECIAL TAX BONDS
(IMPROVEMENT AREA NO. 2), SERIES 2016B**

Base CUSIP No.[†] _____
\$ _____ Serial Bonds

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.[†]</i>
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[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City nor the Underwriter take any responsibility for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF RIVERSIDE
MAYOR AND CITY COUNCIL

Rusty Bailey, Mayor
Mike Gardner, Ward 1
Andy Melendrez, Ward 2
Mike Soubirous, Ward 3
Paul Davis, Ward 4
Chris MacArthur, Ward 5
James Perry, Ward 6
John Burnard, Ward 7

CITY STAFF

John A. Russo, City Manager
Marianna Marysheva-Martinez, Assistant City Manager
Brent A. Mason, Finance Director
Gary Geuss, City Attorney
Colleen J. Nicol, City Clerk

BOND COUNSEL

Best Best & Krieger LLP
Riverside, California

SPECIAL TAX CONSULTANT

Albert A. Webb Associates
Riverside, California

FISCAL AGENT

U.S. Bank National Association
Los Angeles, California

APPRAISER

Kitty Siino & Associates, Inc.
Tustin, California

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

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described in this Official Statement, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment to this Official Statement, is intended to be deposited with the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found at www.emma.msrb.org.

The information set forth in this Official Statement which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the City or the District. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the District or any other parties described in this Official Statement since the date of this Official Statement. All summaries of the Fiscal Agent Agreement or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is made by this Official Statement to such documents on file with the City for further information. While the City maintains an Internet website for various purposes, none of the information on that website is incorporated by reference in this Official Statement or intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

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

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "IMPROVEMENT AREA NO. 2."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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

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

TABLE OF CONTENTS

INTRODUCTION.....	1	Parity Taxes and Special Assessments.....	39
General.....	1	Disclosures to Future Purchasers	40
Improvement Area No. 2	1	Non-Cash Payments of Special Taxes	40
Sources of Payment for the Bonds.....	3	Payment of the Special Tax is not a Personal	
Description of the Bonds	4	Obligation of the Owners	41
Redemption.....	4	Concentration of Ownership.....	41
Tax Matters	4	Land Values	41
Professionals Involved in the Offering	5	FDIC/Federal Government Interests in	
Continuing Disclosure	5	Properties.....	42
Bondowners' Risks	5	Bankruptcy and Foreclosure	43
Forward Looking Statements.....	6	No Acceleration Provision	44
Other Information	6	Loss of Tax Exemption	44
THE FINANCING PLAN.....	6	Limitations on Remedies	44
Estimated Sources and Uses of Funds	7	Limited Secondary Market.....	45
THE BONDS	7	Proposition 218.....	45
General Provisions.....	7	IRS Audit of Tax-Exempt Bond Issues.....	47
Authority for Issuance.....	8	Ballot Initiatives.....	47
Redemption.....	9	CONTINUING DISCLOSURE	47
Registration, Transfer and Exchange.....	11	LEGAL MATTERS	48
Book-Entry Only System.....	11	Tax Exemption.....	48
Debt Service Schedule	12	Legal Opinions.....	49
SOURCES OF PAYMENT FOR THE BONDS.....	12	Litigation.....	50
Limited Obligations	12	No Rating	50
Special Taxes	13	Underwriting	50
Special Tax Fund	17	Financial Advisor.....	50
Reserve Fund	18	Financial Interests	50
No Parity Bonds.....	19	Pending Legislation	50
IMPROVEMENT AREA NO. 2.....	19		
General Description of Improvement Area No. 2....	19	APPENDIX A—RATES AND METHOD OF	
Description of Authorized Facilities	20	APPORTIONMENT OF SPECIAL TAX.....	A-1
Richmond American	21	APPENDIX B—APPRAISAL REPORT	B-1
TRI Pointe Development within Improvement		APPENDIX C—SUPPLEMENTAL INFORMATION	
Area No. 2	26	CONCERNING CITY AND COUNTY OF	
Estimated Direct and Overlapping Indebtedness	27	RIVERSIDE	C-1
Expected Tax Burden.....	27	APPENDIX D—SUMMARY OF FISCAL AGENT	
Appraisal Report	30	AGREEMENT	D-1
Estimated Value-to-Lien Ratio	30	APPENDIX E—FORMS OF CONTINUING	
Delinquency History	32	DISCLOSURE CERTIFICATE OF THE CITY	
Value-to- Lien Strata	33	AND CONTINUING DISCLOSURE	
City's Collection Practices.....	36	AGREEMENT OF RICHMOND AMERICAN	E-1
RISK FACTORS.....	36	APPENDIX F—FORM OF BOND COUNSEL	
Risks of Real Estate Secured Investments		OPINIONS	F-1
Generally	36	APPENDIX G—INFORMATION CONCERNING	
Limited Obligations	36	DTC.....	G-1
Insufficiency of Special Taxes.....	37		
Special Tax Delinquencies.....	38		
Natural Disasters.....	39		
Hazardous Substances.....	39		

[DISTRICT VICINITY MAP]

[DISTRICT LOCATION MAP]

[AERIAL PHOTO]

\$5,085,000*
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
SPECIAL TAX BONDS
(IMPROVEMENT AREA NO. 2), SERIES 2016A

\$1,280,000*
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE
TAXABLE SPECIAL TAX BONDS
(IMPROVEMENT AREA NO. 2), SERIES 2016B

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT — DEFINITIONS” or APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

General

The purpose of this Official Statement (the “Official Statement”), is to provide certain information concerning the issuance of the \$5,085,000* Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Special Tax Bonds (Improvement Area No. 2), Series 2016A (the “2016A Bonds”) and \$1,280,000* Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Taxable Special Tax Bonds (Improvement Area No. 2), Series 2016B (the “2016B Bonds,” and with the 2016A Bonds, the “Bonds”). The proceeds of the Bonds will be used to finance various public improvements needed with respect to the development within Improvement Area No. 2 of the Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the “District”) and regional park facilities to be owned and operated by the City of Riverside (the “City”), to finance certain elementary and secondary school facilities for the Alvord Unified School District (the “School District”), to fund a Reserve Account securing each series of Bonds and to pay costs of administration and issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and a Fiscal Agent Agreement dated as of _____ 1, 2016 (the “Fiscal Agent Agreement”) by and between the City, for and on behalf of the District, and U.S. Bank National Association (the “Fiscal Agent”). The Bonds are secured under the Fiscal Agent Agreement by a pledge of and lien upon Special Tax Revenues (as defined in this Official Statement) and all moneys in the Principal Account and Interest Account of the Bond Fund and all moneys deposited in the Reserve Fund as described in the Fiscal Agent Agreement.

Improvement Area No. 2

Improvement Area No. 2 of the District (“Improvement Area No. 2”) contains approximately 43 gross acres located in the southwestern portion of the City, on the eastside of Grande Vista Parkway at Portofino Lane, within 1/2 mile of the 91 Freeway. Improvement Area No. 2 encompasses a portion of a master planned community known as “Riverwalk Vista.” Development within Riverwalk Vista is subject to the Riverwalk Vista Specific Plan which was approved in September 2005 and provides for the development of up to 402 single family detached homes. Improvement Area No. 2 is proposed to contain 212 single family detached homes at completion. Riverwalk Vista is a gated community built around a recreation center that boasts a resort-style pool with a large waterfall, playgrounds, a gazebo and a barbeque area along with neighborhood parks and tot lots all connected by green belts and winding paths. The original master developer, Griffin Communities, completed the majority of the backbone infrastructure within Improvement Area No. 2.

* Preliminary, subject to change.

TRI Pointe Homes, Inc. (“TRI Pointe”) and Richmond American Homes of Maryland, Inc. (“Richmond American,” and with TRI Pointe, the “Developers”), acquired the property in Improvement Area No. 2 in 2013. Improvement Area No. 2 is mapped for the construction of 212 single family detached dwelling units. TRI Pointe is in the final stages of its development in Improvement Area No. 2, which is expected to consist of 49 single-family residential units at completion in one neighborhood known as “TopazRidge II.” Richmond American is at or near the mid-point of its development in Improvement Area No. 2, which is expected to consist of 163 single family residential units at completion in two neighborhoods known as “Fallbrook” and “Paseo.” As of December 1, 2015, within Improvement Area No. 2, 91 homes had been completed and conveyed to individual homeowners, 35 homes were complete or substantially complete (over 95% complete) and owned by the Developers, eight homes were under construction, and the remaining 78 residential lots were in finished lot condition without any home construction thereon. As of December 1, 2015, building permits had been obtained for 29 of the 78 residential lots in finished condition. See “IMPROVEMENT AREA NO. 2 — General Description of Improvement Area No. 2.”

Formation Proceedings. The District has been formed by the City pursuant to the Act.

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State of California (the “State”). Any local agency (as defined in the Act) may establish a district to provide for and finance the cost of eligible public facilities and services. Generally, the legislative body of the local agency which forms a district acts on behalf of such district as its legislative body. Subject to approval by two-thirds of the votes cast at an election and compliance with the other provisions of the Act, a legislative body of a local agency may issue bonds for a district and may levy and collect a special tax within such district to repay such indebtedness.

Pursuant to the Act, the City Council of the City (the “City Council”), acting as the Legislative body of the District, adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes (defined below) on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness to fund (i) the design, construction and acquisition of various public improvements and water and sewer system facilities, which are necessary to meet increased demands placed upon the City as a result of the development of the District (the “City Facilities”), and (ii) the design, construction and acquisition of certain public school facilities (the “School District Facilities”) to be owned and operated by the Alvorð Unified School District (the “School District”). Following public hearings conducted pursuant to the provisions of the Act, the City Council adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On May 22, 2007, at a special election held pursuant to the Act, Griffin, as the sole landowner in the District and therefore the only qualified voter of the District, authorized the District to incur bonded indebtedness within Improvement Area No. 2 in an aggregate principal amount not to exceed \$12,500,000, and approved the rates and method of apportionment of special taxes for Improvement Area No. 2 of the District which is set forth in APPENDIX A (the “Rates and Method”).

Appraisal Report. Kitty Siino & Associates, Inc. (the “Appraiser”) has conducted an Appraisal dated January 15, 2016 of the land within Improvement Area No. 2 subject to the Special Tax (the “Appraisal Report”). The Appraisal Report sets forth an estimate of the market value of the fee simple interest of the taxable land and improvements within Improvement Area No. 2. The Appraiser is of the opinion that, based upon the assumptions and conditions contained in the Appraisal Report, the aggregate market value and minimum market value of the taxable land and improvements in existence within Improvement Area No. 2, as of December 1, 2015, was \$68,567,143. This estimate of value results in an overall Improvement Area No. 2-wide appraised value-to-lien ratio of approximately 10.77*-to-1 for Improvement Area No. 2 based on the estimated amount of land secured debt allocated to parcels within Improvement Area No. 2 (including the Bonds and all overlapping debt secured by a tax or assessment on the property within Improvement Area

* Preliminary, subject to change.

No. 2). See “IMPROVEMENT AREA NO. 2 — Appraisal Report” and APPENDIX B — “APPRAISAL REPORT.”

Sources of Payment for the Bonds

Special Taxes. As used in this Official Statement, the term “Special Tax” is that tax which has been authorized to be levied against certain land within Improvement Area No. 2 pursuant to the Act and in accordance with the Rates and Method to satisfy the Special Tax Requirement (as defined in the Rates and Method). Special taxes levied within Improvement Area No. 1 of the District are not pledged to the repayment of the Bonds, and the term “Special Tax,” as used in this Official Statement, does not include any special taxes levied on property other than taxable property within Improvement Area No. 2. “Special Tax Revenues” are defined to mean the proceeds of the Special Taxes received by the City, including any scheduled payments, receipts of sale of delinquencies, interest and penalties and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes in the amount of said lien and interest and penalties thereon. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” Under the Fiscal Agent Agreement, the District has pledged to repay the 2016A Bonds and the 2016B Bonds on a pro rata basis from the Special Tax Revenues and amounts on deposit in the Principal Account and Interest Account of the Bond Fund and the Reserve Fund established under the Fiscal Agent Agreement. As used in this Official Statement, “Special Tax” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within Improvement Area No. 2 to fund the Special Tax Requirement, as such capitalized terms are defined in the Rates and Method.

Reserve Fund. The Reserve Fund shall consist of two Reserve Accounts: (i) the Series 2016A Reserve Account which will secure the payments of principal of and interest on the 2016A Bonds, and (ii) the Series 2016B Reserve Account which will secure the payments of principal of and interest on the 2016B Bonds. There is no cross-collateralization of the Reserve Accounts.

The Fiscal Agent Agreement provides that the amount in the Reserve Fund (consisting of amounts in the Series 2016A Reserve Account and the Series 2016B Reserve Account) shall, as of the date of calculation, equal the lesser of (i) 10% of the proceeds of the sale of the Bonds and any Parity Bonds; (ii) Maximum Annual Debt Service on the Bonds and any Parity Bonds; or (iii) 125% of average Annual Debt Service on the Bonds and any Parity Bonds (the “Reserve Requirement”). The initial Reserve Requirement for the Bonds is an amount equal to \$_____. Subject to the maximum annual amounts of Special Taxes contained in the Rates and Method, if the amount in the Reserve Fund is less than the Reserve Requirement, the City has covenanted to restore the amount in the Reserve Fund on a pro rata basis between the Reserve Accounts to the Reserve Requirement by the inclusion of a sufficient amount in the next annual Special Tax levy within Improvement Area No. 2. The ability of the City Council to increase the annual Special Taxes levied in Improvement Area No. 2 to replenish the Reserve Fund is subject to the maximum annual amounts of Special Taxes authorized for Improvement Area No. 2. The moneys in the Series 2016A Reserve Account and the Series 2016B Reserve Account will be used only for payment of the principal of, and interest and any redemption premium on, the 2016A Bonds and the 2016B Bonds, respectively, and, at the direction of the City, for deposit in the Rebate Fund. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.”

The Special Tax Revenues are the primary security for the repayment of the Bonds. In the event that the Special Taxes are not paid when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Principal Account and Interest Account of the Bond Fund and the Reserve Fund, to the limited extent described in the Fiscal Agent Agreement. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.”

Foreclosure Proceeds. The City has covenanted for the benefit of the owners of the Bonds that it will commence, and diligently pursue to completion, judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the fiscal year in which

such Special Taxes were due, and it will commence and diligently pursue to completion judicial foreclosure proceedings against all properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which it receives Special Taxes in an amount which is less than 95% of the total Special Tax levied. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*”

There is no assurance that the property within Improvement Area No. 2 can be sold for the appraised value or assessed values described in this Official Statement, or for a price sufficient to pay the principal of and interest on the Bonds in the event of a default in payment of Special Taxes by the current or future property owners within Improvement Area No. 2. See “RISK FACTORS — Land Values” and APPENDIX B — “APPRAISAL REPORT.”

EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM SPECIAL TAXES AND AMOUNTS HELD UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

No Parity Bonds. The City has covenanted not to issue any additional Bonds secured by a pledge and lien on the Special Taxes (“Parity Bonds”) for any purpose other than paying and discharging all or a portion of the Outstanding Bonds. See “SOURCES OF PAYMENT FOR THE BONDS — No Parity Bonds.”

Description of the Bonds

The Bonds will be issued and delivered as fully registered Bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in integral multiples of \$5,000, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. In the event that the book-entry only system described in this Official Statement is no longer used with respect to the Bonds, the Bonds will be registered and transferred in accordance with the Fiscal Agent Agreement. See APPENDIX G — “INFORMATION CONCERNING DTC.”

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent to DTC, as the registered Owner of the Bonds. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Bonds, the Beneficial Owners will become the registered owners of the Bonds and will be paid principal and interest by the Fiscal Agent, all as described in this Official Statement. See “THE BONDS — Book-Entry Only System” and see APPENDIX G — “INFORMATION CONCERNING DTC.”

Redemption

The Bonds are subject to optional redemption, mandatory redemption from Special Tax Prepayments and mandatory sinking fund redemption as described in this Official Statement. For a more complete description of the Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE BONDS” and APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is exempt from personal income taxes of the State of California. Assuming compliance

with certain covenants described in the Official Statement, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. Set forth in Appendix F are the proposed forms of Bond Counsel opinions expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see “LEGAL MATTERS – Tax Exemption.”

Professionals Involved in the Offering

U.S. Bank National Association will act as Fiscal Agent under the Fiscal Agent Agreement. Stifel, Nicolaus & Company, Incorporated is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the City and the District by the City Attorney’s Office and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriter’s Counsel. Other professional services have been performed by Albert A. Webb Associates, Riverside, California, as Special Tax Consultant, and Kitty Siino & Associates, Tustin, California, as Appraiser. At times, Bond Counsel represents the Underwriter in matters unrelated to the Bonds.

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Bonds, see “LEGAL MATTERS — Financial Interests.”

Continuing Disclosure

Pursuant to a Continuing Disclosure Certificate executed by the City (the “Continuing Disclosure Certificate”), the City has agreed to provide, or cause to be provided, on an annual basis, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board (the “MSRB”), which can be found at www.emma.msrb.org (“EMMA”), certain financial information and operating data. The City has further agreed to provide notice to EMMA of certain material events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “SEC”).

In addition, pursuant to a Continuing Disclosure Agreement by and between Richmond American and Albert A. Webb Associates (such agreement, the “Developer Continuing Disclosure Agreement”), Richmond American has agreed to provide or cause to be provided, to EMMA certain semi-annual and annual information with respect to itself and its development within Improvement Area No. 2 of the District and notice of certain listed events to assist the Underwriter in marketing the Bonds. See “CONTINUING DISCLOSURE” and Appendix E for a description of the specific nature of the annual reports to be filed by the City and Richmond American and notices of listed events to be provided by the City and Richmond American.

Bondowners’ Risks

Certain events could affect the timely repayment of the principal of and interest on the Bonds when due. See the section of this Official Statement entitled “RISK FACTORS” for a discussion of certain factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating an investment in the Bonds. The Bonds are not rated by any nationally recognized rating agency.

Forward Looking Statements

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

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

Other Information

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

Brief descriptions of the Bonds and the Fiscal Agent Agreement are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Fiscal Agent Agreement, the Bonds and the constitution and laws of the State as well as the proceedings of the City Council, acting as the legislative body of the District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Bonds, by reference to the Fiscal Agent Agreement.

Copies of the Fiscal Agent Agreement, the Continuing Disclosure Certificate, the Developer Continuing Disclosure Certificate and other documents and information referred to in this Official Statement are available for inspection and (upon request and payment to the City of a charge for copying, mailing and handling) for delivery from the City at 3900 Main Street, Riverside, California 92522, Attention: City Clerk.

THE FINANCING PLAN

A portion of the Bond proceeds will be used by the District to design, construct and acquire certain authorized City public facilities and School District facilities. See “IMPROVEMENT AREA NO. 2 — Description of Authorized Facilities” and Table 1 in this Official Statement for a description of the public facilities authorized to be financed with the proceeds of the Bonds.

Estimated Sources and Uses of Funds

The following table sets forth the expected sources and uses of Bond proceeds:

<i>Sources of Funds</i>	<i>2016A Bonds</i>	<i>2016B Bonds</i>	<i>Total</i>
Principal Amount of Bonds	\$	\$	\$
Plus/Less Net Original Issue Premium/Discount			
Special Tax Proceeds on hand			
Total Sources	<u>\$</u>	<u>\$</u>	<u>\$</u>
<i>Uses of Funds</i>			
Improvement Fund ⁽¹⁾	\$	\$	\$
2016A Bonds Reserve Account			
2016B Bonds Reserve Account			
Costs of Issuance Fund ⁽²⁾			
Underwriter's Discount			
Deposit to Administration Account			
Total Uses	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ \$_____ will be deposited in the Series 2016A City Facilities Sub-Account, \$_____ will be deposited in the Series 2016B City Facilities Sub-Account and \$_____ will be deposited in the School District Facilities Account. Of the Bond proceeds deposited into the Improvement Fund, \$_____ will be paid to Foremost Communities, Inc. ("Foremost") as the master developer of the property within Improvement Area 3, as reimbursement for facilities already constructed by Foremost.

⁽²⁾ Costs of Issuance include legal fees, printing costs, Appraisal Report costs, Special Tax Consultant fees, and Fiscal Agent fees, in addition to other miscellaneous costs incidental to Bond issuance.

THE BONDS

General Provisions

The Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page, payable semiannually on each March 1 and September 1, commencing on September 1, 2016 (each, an "Interest Payment Date"), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Bonds will be issued in fully registered form in integral multiples of \$5,000.

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication of that Bond, unless (i) it is authenticated on an Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such Interest Payment Date (such fifteenth day, the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (iii) it is authenticated prior to the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from the date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment or from the date of the Bonds, if no interest has previously been paid or made available for payment.

Interest on any Bond will be paid to the person whose name appears as its registered Owner in the registration books held by the Fiscal Agent on the close of business on the Record Date. Interest will be paid by check of the Fiscal Agent mailed by first class mail, postage prepaid, to the registered Owner at its address on the registration books. Pursuant to a written request prior to the Record Date of a Bondowner of at least

\$1,000,000 in aggregate principal amount of Bonds, payment will be made by wire transfer in immediately available funds to a designated account in the United States.

Principal of the Bonds and any premium due upon redemption is payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Fiscal Agent in St. Paul, Minnesota.

Authority for Issuance

The Bonds are issued pursuant to the Act and the Fiscal Agent Agreement. As required by the Act, the City Council has taken the following actions with respect to establishing the District and the Bonds:

Resolutions of Intention. On January 16, 2007 the City Council adopted a resolution stating its intention to establish the District, and Improvement Area No. 1 and Improvement Area No. 2, and to authorize the levy of a special tax in each of the Improvement Areas, and a resolution declaring its intention to have the District incur bonded indebtedness in an amount not to exceed \$25,000,000, including \$12,500,000 within Improvement Area No. 1 and \$12,500,000 within Improvement Area No. 2.

Resolutions of Formation. Following a noticed public hearing conducted on May 22, 2007, the City Council adopted on May 22, 2007 resolutions which established the District, and Improvement Area No. 1 and Improvement Area No. 2, authorized the levy of a special tax within each Improvement Area of the District, and declared the necessity for each Improvement Area of the District to incur bonded indebtedness in a maximum aggregate principal amount of \$25,000,000, including \$12,500,000 within Improvement Area No. 1 and \$12,500,000 within Improvement Area No. 2.

Resolution Calling Election. The resolutions adopted by the City Council on May 22, 2007 also called for consolidated special elections by the landowners in each Improvement Area of the District on the issues of the levy of the Special Tax, the incurring of bonded indebtedness within the respective Improvement Area, and the establishment of an appropriations limit.

Landowner Election and Declaration of Results. On May 22, 2007, elections were held at which the landowners within each Improvement Area of the District approved ballot propositions authorizing the issuance of up to \$25,000,000 of bonds, including \$12,500,000 within Improvement Area No. 1 and \$12,500,000 within Improvement Area No. 2, to finance the acquisition and construction of various public facilities, the levy of the Special Tax and the establishment of an appropriations limit for the District. The landowners approved ballot propositions authorizing the District to issue bonds in an aggregate principal amount not to exceed \$25,000,000, including \$12,500,000 within Improvement Area No. 1 and \$12,500,000 within Improvement Area No. 2, for financing public facilities. On May 22, 2007, the City Council adopted a resolution approving the canvass of the votes and declaring the District to be fully formed, including Improvement Area No. 1 and Improvement Area No. 2, with the authority to levy the Special Taxes, to incur the bonded indebtedness, and to have the established appropriations limit.

Special Tax Lien and Levy. The Notice of Special Tax Lien for the District was recorded in the Office of the County Recorder of the County on May 30, 2007 as Document No. 2007-0352815 reflecting a continuing lien against the taxable property within the District (the “Notice of Special Tax Lien”).

Ordinance Levying Special Taxes. On July 14, 2015, the City Council adopted Ordinance No. 7295 which authorized the levy of Special Taxes within Improvement Area No. 2 of the District.

Resolution Authorizing Issuance of the Bonds. On February 23, 2016, the City Council adopted a resolution approving issuance of the Bonds.

Redemption

Optional Redemption. The 2016A Bonds are subject to redemption prior to their stated maturity dates on any Interest Payment Date, as selected among maturities by the City (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 redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
September 1, 2020 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and any Interest Payment Date thereafter	100]

The 2016B Bonds maturing on and after September 1, 2026 are subject to redemption prior to their stated maturity dates on any Interest Payment Date on and after September 1, 2025, as selected among maturities by the City (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 a redemption price equal to the principal amount thereof, together with accrued interest to the redemption date, without premium.

Mandatory Redemption From Special Tax Prepayments. The Bonds are subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, pro rata among all series and maturities (and by lot within any one maturity), in integral multiples of \$5,000, from moneys derived by the City from Special Tax Prepayments, at redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

<i>Redemption Dates</i>	<i>Redemption Prices</i>
September 1, 2016 through March 1, 2023	103%
September 1, 2023 and March 1, 2024	102
September 1, 2024 and March 1, 2025	101
September 1, 2025 and any Interest Payment Date thereafter	100]

Mandatory Sinking Fund Redemption. The outstanding 2016A Bonds maturing on September 1, ____ are subject to mandatory sinking fund redemption, in part, on September 1, ____ and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

2016A Bonds Maturing on September 1, ____

Sinking Fund Redemption Date
(September 1)

Sinking Payments

(Maturity)

The amounts in the foregoing schedule shall be reduced by the City pro rata among redemption dates, in order to maintain substantially level Debt Service, as a result of any prior or partial optional or mandatory redemption of the 2016A Bonds.

Purchase of Bonds. In lieu of payment at maturity or redemption under the Fiscal Agent Agreement, moneys in the Bond 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. In such event, the City shall, as may be appropriate, provide to the Fiscal Agent a revised maturity schedule or a revised mandatory sinking fund schedule for the Bonds, or both.

Notice to Fiscal Agent. An Authorized Officer shall give the Fiscal Agent written notice of the City's intention to redeem Bonds not less than 45 days (or such lesser number of days acceptable to the Fiscal Agent) prior to the applicable redemption date. Such written notice shall specify whether Bonds are to be redeemed by optional redemption or mandatory redemption from special tax prepayments. The provisions of this subsection shall not apply to mandatory sinking fund redemption of the Bonds.

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 Securities Depositories and to one or more Information Services, 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. Any such notice given may be conditional and/or rescinded by written notice given to the Fiscal Agent by an Authorized Officer and the Fiscal Agent shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to the Fiscal Agent Agreement.

Such notice shall state the date of such notice, the date of issue of the Bonds, the place or places of redemption, the redemption date, the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the CUSIP numbers and Bond numbers of the Bonds to be redeemed, by giving the individual CUSIP number and Bond number of each Bond to be redeemed, or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called for redemption in part the portion of the principal of the Bond to be redeemed, shall require that such Bonds be then surrendered at the Principal Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of the mailing and publication of any such redemption notice shall be paid by the District.

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

In the event of an optional redemption or mandatory redemption from Special Tax Prepayments pursuant to the Fiscal Agent Agreement, the City shall transfer or cause to be transferred to the Fiscal Agent for deposit in the Bond Fund moneys in an amount equal to the redemption price of the Bonds being redeemed on or before the Interest Payment Date upon which such Bonds are to be redeemed.

If less than all the Bonds Outstanding are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in integral multiples of \$5,000, and, in selecting portions of such Bonds for redemption, the Fiscal Agent shall treat each such Bond as representing the number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Whenever provision is made in the Fiscal Agent Agreement for the redemption of less than all of the Bonds of a maturity or any given portion thereof, the Fiscal Agent shall select the Bonds not previously called for redemption pro rata among the maturities and by lot within a maturity in any manner which the Fiscal Agent in its sole discretion shall deem appropriate.

Upon surrender of Bonds redeemed in part only, the City shall execute and the Fiscal Agent shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption prices of the Bonds called for redemption shall have been deposited in the Bond Fund, such Bonds shall cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price, and interest shall cease to accrue on the Bonds to be redeemed on the redemption date specified in the notice of redemption.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to the Fiscal Agent Agreement shall be cancelled by the Fiscal Agent.

Registration, Transfer and Exchange

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

Transfer or Exchange. Whenever any Bond is surrendered for registration of transfer or exchange, the Fiscal Agent will authenticate and deliver a new Bond or Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Fiscal Agent will not be required to register transfers or make exchanges of (i) Bonds for a period of 15 days next preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds selected for redemption.

Book-Entry Only System

The Bonds will be issued in book-entry form, and The Depository Trust Company of New York, New York ("DTC") will act as securities depository. So long as the Bonds are held in book-entry form, principal of, premium, if any, and interest on the Bonds will be paid by the Fiscal Agent directly to DTC for distribution to the beneficial owners of the Bonds in accordance with procedures adopted by DTC. See APPENDIX G — "INFORMATION CONCERNING DTC."

Debt Service Schedule

The following table presents the annual debt service on the Bonds (including sinking fund redemptions), assuming there are no optional redemptions or mandatory redemptions from prepayment of Special Taxes pursuant to the Rates and Method. See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes” and “THE BONDS — Redemption.”

ANNUAL DEBT SERVICE SCHEDULE

<i>Payment Year (September 1)</i>	<i>2016A Bonds</i>		<i>2016B Bonds</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	<i>Principal</i>	<i>Interest</i>	

Total

Source: Underwriter.

SOURCES OF PAYMENT FOR THE BONDS

Limited Obligations

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

The Special Tax Revenues are the primary security for the repayment of the Bonds. Under the Fiscal Agent Agreement, the District has pledged to repay the Bonds from the Special Tax Revenues (which are the

proceeds of the Special Taxes received by the City, including any scheduled payments, receipts of sale of delinquencies, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes) and all moneys deposited in Principal and Interest Accounts of the Bond Fund and the Reserve Fund.

As used in this Official Statement, “Special Tax” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within Improvement Area No. 2 to fund the Special Tax Requirement, as such capitalized terms are defined in the Rates and Method. Special taxes levied within Improvement Area No. 1 of the District are not pledged to the repayment of the Bonds, and the term “Special Tax,” as used in this Official Statement, does not include any special taxes levied on property other than taxable property within Improvement Area No. 2. See APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.”

In the event that the Special Tax Revenues are not received when due, the only sources of funds available to pay the debt service on the Bonds are amounts held by the Fiscal Agent in the Principal and Interest Accounts of the Bond Fund and the Reserve Fund for the exclusive benefit of the Owners of the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE CITY BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED IN THIS OFFICIAL STATEMENT.

Special Taxes

Authorization and Pledge. In accordance with the provisions of the Act, the City Council established the District, and Improvement Area Nos. 1 and 2 therein, on May 22, 2007 for the purpose of financing the acquisition, construction and installation of various public improvements required in connection with the proposed development therein. At a special election held on May 22, 2007, the owners of the property within the District authorized the District to incur indebtedness in an amount not to exceed \$12,500,000 with respect to Improvement Area No. 2 and approved the Rates and Method which authorizes the Special Tax to be levied to repay District indebtedness, including the Bonds. On July 14, 2015, the Board adopted Ordinance No. 7295 which authorized the levy of Special Taxes in Improvement Area No. 2.

The District has covenanted in the Fiscal Agent Agreement that each year it will levy Special Taxes up to the maximum rates permitted under the Rates and Method in an amount sufficient, together with other amounts on deposit in the Special Tax Fund, to pay the principal of and interest on any Outstanding Bonds (including any Parity Bonds that may be issued) to replenish the Reserve Fund and to pay the estimated Administrative Expenses. Notwithstanding the foregoing, pursuant to Section 53321(d) of the Act, under no circumstances will the Special Taxes levied against any Assessor’s Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor’s Parcel or Assessor’s Parcels within Improvement Area No. 2 by more than 10%.

The Special Taxes levied in any fiscal year may not exceed the maximum rates authorized pursuant to the Rates and Method. See APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” There is no assurance that the Special Tax proceeds will, in all circumstances, be adequate to pay the principal of and interest on the Bonds when due. See “RISK FACTORS — Insufficiency of Special Taxes.”

Rates and Method of Apportionment of Special Tax. All capitalized terms used in this section shall have the meaning set forth in Appendix A.

Under the Rates and Method, commencing with Fiscal Year 2007-08, all Taxable Property in Improvement Area No. 2 has and will continue to be classified as Developed Property (Residential or Non-Residential) or Undeveloped Property and has and will continue to be subject to a Special Tax levy at the maximum rates described in Section C of the Rates and Method.

For purposes of the levy of Special Taxes to satisfy the Special Tax Requirement, a parcel will be classified as Developed Property if it is Taxable Property for which a building permit for residential dwelling units or non-residential construction was issued prior to March 1 of the fiscal year preceding the Special Tax levy. The Maximum Special Tax for Debt Service for each parcel of Developed Property will be the greater of (a) the applicable amount set forth in Table 1 of the Rates and Method (ranging from \$2,839 per parcel to \$4,513 per parcel for parcels classified as Residential Property, and \$33,102 per acre for parcels classified as Non-Residential Property), and (b) the applicable amount of "Backup Special Tax."

The total amount of the Backup Special Tax for Assessor's Parcels of Taxable Property, exclusive of Assessor's Parcels of Taxable Association Property and Taxable Public Property, in a Final Subdivision will be determined by multiplying the Acreage of all such Assessor's Parcels of Taxable Property by the Backup Special Tax per Acre. If a Final Subdivision will include both Assessor's Parcels of Residential Property and Assessor's Parcels of Non-Residential Property, the total amount of the Backup Special Tax for such Assessor's Parcels of Residential Property will be based only on the Acreage of those Assessor's Parcels.

The Backup Special Tax for each Assessor's Parcel of Residential Property in a Final Subdivision will be determined by dividing the total amount of the Backup Special Tax for all of the Assessor's Parcels of Residential Property in the Final Subdivision, as determined pursuant to the preceding paragraph, by the number of such Assessor's Parcels (i.e., the number of residential lots) within such Final Subdivision.

The Backup Special Tax for each Assessor's Parcel of Non-Residential Property in a Final Subdivision will be determined by multiplying the Acreage of the Assessor's Parcel by the Backup Special Tax per Acre.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, the total amount of the Backup Special Tax will be recalculated so that the total amount of the Backup Special Tax for such Assessor's Parcels after such change will be equal to the aggregate amount of the Backup Special Tax for such Assessor's Parcels before such change occurred.

The Maximum Special Tax for Assessor's Parcels of Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$33,102 per acre.

After classifying the parcels in Improvement Area No. 2, the City Council will determine the Special Tax Requirement (as defined in the Rates and Method) for the District for the fiscal year. "Special Tax Requirement" means for Improvement Area No. 2 that amount required in any Fiscal Year after taking into consideration available funds pursuant to the Fiscal Agent Agreement: (1) to pay principal of and interest on all outstanding bonds which are payable from Special Taxes levied on Taxable Property in Improvement Area No. 2, (2) to pay periodic costs for the Bonds, including, but not limited to, costs related to credit enhancement and rebate payments, (3) to pay Administrative Expenses, (4) to provide an amount equal to reasonably anticipated delinquencies in the collection of Special Taxes, (5) pay any amount required to replenish the reserve fund for the outstanding Bonds, and (6) provide any amounts that the City Council determines are necessary to pay the costs on the provision, construction and acquisition of public facilities and/or to accumulate funds therefor.

The Special Tax that will be levied first on Developed Property in Improvement Area No. 2 up to 100% of the applicable rate for Improvement Area No. 2 is set forth in Table 1 of the Rates and Method. If additional monies are needed to satisfy the Special Tax Requirement after levying on all Developed Property in Improvement Area No. 2 at the applicable Table 1 rate, the Special Tax will be levied next on Undeveloped Property in Improvement Area No. 2 up to 100% of the applicable rate for Improvement Area No. 2 set forth in Table 1. If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on all Assessor's Parcels of Developed Property whose Maximum Special Tax is its Backup Special Tax will be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel. If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax will be levied Proportionately on all Assessor's Parcels of Taxable Association Property up to 100% of its Maximum Special Tax. If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax will be levied Proportionately on all Assessor's Parcels of Taxable Public Property up to 100% of its Maximum Special Tax.

However, pursuant to Section 53321(d) of the Act, notwithstanding the above, under no circumstances will the Special Tax levied against any taxable parcel of residential property within Improvement Area No. 2 be increased by more than 10% as a consequence of a delinquency or default by the owner of any other parcel within Improvement Area No. 2.

Prepayment of Special Taxes. The City Council may allow property owners to fully prepay the obligation of parcels of Taxable Property to pay the Special Taxes with respect to the Special Tax Requirement.

Additionally, the City has covenanted in the Fiscal Agent Agreement that the City shall cause all applications of owners of property in Improvement Area No. 2 to prepay and satisfy the Special Tax obligation for their property to be reviewed by the Special Tax Consultant and shall not accept any such prepayment unless such consultant certifies in writing that the total amount of the Maximum Special Tax (as defined in the Rates and Method) that may be levied on Taxable Property both prior to and after the proposed prepayment is and will be at least 1.1 times the amount of Maximum Annual Debt Service on all Outstanding Bonds plus estimated annual Administrative Expenses for the then current Fiscal Year. For purposes of such certification, Taxable Property means all parcels of property in Improvement Area No. 2 that are not exempt from the levy of the Special Tax pursuant to the Act or the Rates and Method. (See APPENDIX A — "RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX"). Prepayments of Special Taxes aggregating in excess of \$5,000 will result in a mandatory redemption of Bonds. See "THE BONDS — Redemption — Mandatory Redemption from Special Tax Prepayments."

Collection and Application of Special Taxes. The Special Taxes are collected by the Treasurer-Tax Collector of the County in the same manner and at the same time as *ad valorem* property taxes. The District may, however, collect the Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

Covenants to Protect Special Tax Rates. The City has made certain covenants in the Fiscal Agent Agreement for the purpose of ensuring that the current Maximum Special Tax rates and method of collection of the Special Taxes are not altered in a manner that would impair the District's ability to collect sufficient Special Taxes to pay debt service on the Bonds and Administrative Expenses when due. First, the District has covenanted that, to the extent it is legally permitted to avoid doing so, it will not initiate and conduct proceedings to reduce the Maximum Special Tax rates (the "Maximum Rates") and, in the event an ordinance is adopted by initiative which purports to reduce or otherwise alter the Maximum Rates, the City will commence and pursue legal action seeking to preserve its ability to avoid reduction of Maximum Rates. See "RISK FACTORS — Proposition 218." Second, the City has covenanted not to permit the tender of Bonds in payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the City having insufficient Special Tax Revenues to pay the principal

of and interest on the Outstanding Bonds following such tender. See “RISK FACTORS — Non-Cash Payments of Special Taxes.”

Although the Special Taxes constitute liens on taxable parcels within Improvement Area No. 2, they do not constitute a personal indebtedness of the owners of property within Improvement Area No. 2. Moreover, other liens for taxes and assessments already exist on the property located within Improvement Area No. 2 and others could come into existence in the future in certain situations without the consent or knowledge of the City or the landowners in Improvement Area No. 2. See “RISK FACTORS — Parity Taxes and Special Assessments.” There is no assurance that property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so, all as more fully described in the section of this Official Statement entitled “RISK FACTORS.”

Under the terms of the Fiscal Agent Agreement, all Special Tax Revenues received by the District are to be deposited in the Special Tax Fund. Special Tax Revenues deposited in the Special Tax Fund are to be applied by the Fiscal Agent under the Fiscal Agent Agreement in the following order of priority: (i) to deposit up to \$30,000 to the Administrative Expense Fund to pay Administrative Expenses; (ii) to replenish the Reserve Fund to the Reserve Requirement; (iii) to transfer to the Bond Fund to pay the principal of and interest on the Bonds when due; (iv) to make any required transfers to the Rebate Fund; and (v) for any other lawful purpose of the District. See APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT.”

Proceeds of Foreclosure Sales. The net proceeds received following a judicial foreclosure sale of land within Improvement Area No. 2 resulting from a landowner’s failure to pay the Special Taxes when due are included within the Special Tax Revenues pledged to the payment of principal of and interest on the Bonds under the Fiscal Agent Agreement.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the District of Special Taxes in an amount which is less than the Special Tax levied, the City Council, as the legislative body of the District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District has covenanted for the benefit of the owners of the Bonds that it will commence and diligently pursue to completion, judicial foreclosure proceedings against (i) parcels with delinquent Special Taxes in excess of \$5,000 by the October 1 following the close of the Fiscal Year in which such Special Taxes were due; and (ii) all properties with delinquent Special Taxes by the October 1 following the close of any fiscal year in which the District receives Special Taxes in an amount which is less than 95% of the total Special Tax levied; provided that the City will not be required to order, and cause to be commenced, judicial foreclosure proceedings against any such properties if the City determines that the amount of the delinquent Special Taxes for such properties is so small that the cost of foreclosure is not warranted. See APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT — OTHER COVENANTS OF THE CITY.”

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

No Teeter Plan. Although the Riverside County Board of Supervisors has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”) which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected, as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, the District is not included in the County Teeter Plan. Consequently, the District may not draw on the County Tax Loss Reserve Fund in the event of delinquencies in Special Tax payments within the District.

Special Tax Fund

Pursuant to the Fiscal Agent Agreement, there will be established, as a separate fund to be held by the Fiscal Agent, the “Community Facilities District No. 2006-1 of the City of Riverside Special Tax Bonds (Improvement Area No. 2) Special Tax Fund” (the “Special Tax Fund”) to the credit of which the City will deposit, as hereinafter provided, not later than ten (10) Business Days after receipt, all Special Tax Revenues received by the City. There will also be established in the Special Tax Fund as a separate account, to be held by the Fiscal Agent, the “Surplus Account” to the credit of which amounts will be deposited as provided in the Fiscal Agent Agreement. Moneys in the Special Tax Fund, and the Surplus Account therein, will be held by the Fiscal Agent for the benefit of the City and the Owners of the Bonds, will be disbursed as provided below and, pending disbursement, will be subject to a lien in favor of the Owners of the Bonds. Notwithstanding the foregoing, any amounts received by the City which constitute Special Tax Prepayments will be transferred by the City not later than ten (10) business days after receipt to the Fiscal Agent for deposit by the Fiscal Agent in the “Special Tax Prepayments Account” established pursuant to the Fiscal Agent Agreement.

As soon as practicable after the receipt from the City of any Special Tax Revenues, but no later than ten (10) business days after such receipt, the Fiscal Agent will withdraw from the Special Tax Fund and deposit in the Administrative Expense Fund, an amount which is estimated by the City, in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely) to be sufficient, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, will not exceed \$30,000 for any Fiscal Year. From the amount then remaining on deposit in the Special Tax Fund, the Fiscal Agent will, as soon as the amount on deposit in the Special Tax Fund is sufficient, deposit in the Reserve Fund the amount, if any, which the City will direct in a written communication from an Authorized Officer delivered to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), to be withdrawn from the Special Tax Fund and deposited in the Reserve Fund to make the amount on deposit therein equal to the Reserve Requirement. Thereafter, on or before each Interest Payment Date, the Fiscal Agent will deposit in the Interest Account and the Principal Account of the Bond Fund the amounts required for payment of interest on or interest on and principal of the 2016A Bonds and the 2016B Bonds on a pro rata basis, as provided in the Fiscal Agent Agreement.

Notwithstanding the two preceding paragraphs, if prior to the September 1 Interest Payment Date in any Bond Year the City determines that Special Tax Revenues will be sufficient to enable the Fiscal Agent to deposit in the Reserve Fund the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Requirement and deposit in the Bond Fund the full amount required for deposit to the Interest Account and the Principal Account to pay the interest on and principal of the Bonds on such Interest Payment Date, the City may instruct the Fiscal Agent in an Officer’s Certificate, upon which the Fiscal Agent may conclusively rely, to deposit an additional amount in the Administrative Expense Fund before making the required deposits to the Interest Account and the Principal Account of the Bond Fund, and the Fiscal Agent will deposit such additional amount in the Administrative Expense Fund before depositing any amount to the Reserve Fund or the Interest Account and the Principal Account of the Bond Fund.

On or before the March 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Special Tax Fund is less than the amount of the interest on the Bonds which is due

on such Interest Payment Date, the Fiscal Agent will transfer moneys from the Surplus Account, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account of the Bond Fund in an amount not to exceed the deficiency in the amount of other moneys which are on deposit in the Special Tax Fund, and available for transfer to and deposit in the Interest Account to pay the full amount of the interest on the Bonds which is due and payable on such Interest Payment Date. On or before the September 1 Interest Payment Date in each Bond Year, if the amount of other moneys which is on deposit in the Special Tax Fund is less than the amount of the interest on and principal of the Bonds which is due on such Interest Payment Date, the Fiscal Agent will transfer moneys from the Surplus Account, to the extent of moneys on deposit therein and available for transfer, to and deposit such moneys in the Interest Account and the Principal Account in amounts not to exceed the amount of the deficiency in the amount of other moneys which are on deposit in the Special Tax Fund, and available for transfer, to pay the full amount of the interest on and principal of the Bonds which is due and payable on such Interest Payment Date. On or before May 30 of each year, commencing on May 30, 2016 the Fiscal Agent will notify the City of the amount which is then on deposit in the Surplus Account and of the aggregate amount of the principal of and interest on the Bonds which will become due and payable on March 1 and September 1 of the following calendar year.

Amounts in the Interest Account and the Principal Account shall be used to make the payments of principal of (including sinking payments) and interest on the 2016A Bonds and the 2016B Bonds on a pro rata basis.

On September 2 of each year, beginning on September 2, 2016, the amount, if any, on deposit in the Special Tax Fund (including the amount on deposit in the Surplus Account), together with the amount then on deposit in the in the Principal Account of the Bond Fund (but not including, however, the amounts, if any, then on deposit Interest Account or the Special Tax Prepayments Account), as determined by the City, will not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Principal Account, exceeds the maximum amount allowable pursuant to the preceding sentence, as determined by the City and communicated in writing by an Authorized Officer to the Fiscal Agent (upon which the Fiscal Agent may conclusively rely), the excess amount will be transferred from the Special Tax Fund to and deposited in the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement. Any such excess remaining in the Special Tax Fund after any such amount is transferred from the Special Tax Fund to the Reserve Fund will be transferred from the Special Tax Fund to and deposited in the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as provided above, the amount on deposit in the Special Tax Fund (including the Surplus Account), together with the amount then on deposit in the Principal Account, will not exceed in the aggregate the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. The Fiscal Agent will have no obligation to monitor the City's obligations as set forth in this paragraph.

Moneys in the Special Tax Fund will be invested and deposited in accordance with the Fiscal Agent Agreement. Investment Earnings will be retained in the Special Tax Fund to be used for the purposes of such fund. See APPENDIX D — "SUMMARY OF FISCAL AGENT AGREEMENT."

Reserve Fund

In order to secure further the payment of principal of and interest on the Bonds, the District is required, upon delivery of the Bonds, to deposit in the Reserve Fund (consisting of the Series 2016A Reserve Account and the Series 2016B Reserve Account) and thereafter to maintain in the Reserve Fund an amount equal to the Reserve Requirement. The Fiscal Agent Agreement provides that the amount in the Reserve Fund shall, as of any date in any Bond Year, equal the lesser of (i) 10% of the proceeds of the sale of the Bonds and any Parity Bonds; (ii) Maximum Annual Debt Service on the Bonds and any Parity Bonds; or (iii) 125% of average Annual Debt Service on the Bonds and any Parity Bonds.

Subject to the limits on the maximum annual Special Tax which may be levied within Improvement Area No. 2, as described in Appendix A, the City has covenanted to levy Special Taxes in an amount that is anticipated to be sufficient, in light of the other intended uses of the Special Tax proceeds, to maintain the balance in the Reserve Fund at the Reserve Requirement; provided, if a shortfall occurs in the Reserve Fund as a consequence of Special Tax delinquencies, the City may only increase Special Taxes within Improvement Area No. 2 to replenish the Reserve Fund on a pro rata basis between the Reserve Accounts in the amount of such delinquencies. The ability of the legislative body of the District to increase the annual Special Taxes levied in Improvement Area No. 2 to replenish the Reserve Fund is additionally subject to certain additional limitations under the Act restricting the amount by which Special Taxes on taxable parcels can be increased due to delinquencies of other taxable parcels.

However, notwithstanding the above, under no circumstances will the Special Tax levied against any taxable parcel of residential property within Improvement Area No. 2 be increased by more than 10% as a consequence of a delinquency or default by the owner of any other parcel within Improvement Area No. 2.

The moneys in the Series 2016A Reserve Account and the Series 2016B Reserve Account will be used for payment of the principal of, and interest and any redemption premium on, the 2016A Bonds and the 2016B Bonds, respectively, and, at the direction of the City, for deposit in the Rebate Fund. Amounts in the Series 2016A Reserve Account are to be applied to (i) pay debt service on the 2016A Bonds, to the extent other monies are not available therefor; (ii) redeem all Outstanding 2016A Bonds, including without limitation, from Special Tax Prepayments; and (iii) pay the principal and interest due on the 2016A Bonds in the next succeeding Interest Payment Date. Amounts in the Series 2016B Reserve Account are to be applied to (i) pay debt service on the 2016B Bonds, to the extent other monies are not available therefor; (ii) redeem all Outstanding 2016B Bonds, including without limitation, from Special Tax Prepayments; and (iii) pay the principal and interest due on the 2016B Bonds in the next succeeding Interest Payment Date. There is no cross-collateralization between the Reserve Accounts.

In the event of a prepayment of Special Taxes, under certain circumstances, a portion of the Reserve Fund will be added to the amount being prepaid and be applied to redeem Bonds. As described in the Fiscal Agent Agreement, the Reserve Fund credit will be equal to the expected reduction in the Reserve Requirement; provided, however, there will be no Reserve Fund credit if the amount in the Reserve Fund is less than the Reserve Requirement. See APPENDIX D — “SUMMARY OF FISCAL AGENT AGREEMENT.”

No Parity Bonds

The City may not issue bonds of the District secured by the Special Taxes on a parity with the Bonds (“Parity Bonds”), except for the purpose of refunding all or a portion of the Outstanding Bonds. The City will not issue any additional bonds for the District to finance additional public facilities for Improvement Area No. 2.

IMPROVEMENT AREA NO. 2

General Description of Improvement Area No. 2

Improvement Area No. 2 contains approximately 43 gross acres located in the southwestern portion of the City, on the eastside of Grande Vista Parkway at Portofino Lane, within 1/2 mile of the 91 Freeway. Improvement Area No. 2 encompasses a portion of a master planned community known as “Riverwalk Vista.” Development within Riverwalk Vista is subject to the Riverwalk Vista Specific Plan which was approved in September 2005 and provides for the development of up to 402 single family detached homes. Improvement Area No. 2 is proposed to contain 212 single family detached homes at completion. Riverwalk Vista is a gated community built around a recreation center that boasts a resort-style pool with a large waterfall, playgrounds, a gazebo and a barbeque area along with neighborhood parks and tot [CONFIRM] lots all connected by green belts and winding paths.

The property within Improvement Area No. 2 is zoned R-7,000 which allows for a maximum density of 6.2 dwelling units per acre and a 7,000 square foot minimum lot size. All of the taxable property within Improvement Area No. 2 is located within four final tract maps, Tract Nos. 32772, 35932, 35932-1 and 36323, creating parcels for the construction of 212 single family detached dwelling units.

Development within Improvement Area No. 2 began in [2007] by Griffin Communities (“Griffin”). Griffin completed much of the backbone infrastructure for the entire District but eventually lost all of its property within the District to its lenders. Forestar Riverside, LLC (“Forestar”) eventually acquired the property and on September 30, 2013, Forestar sold a portion of the property to TRI Pointe Homes, Inc. (“TRI Pointe”), and on December 30, 2013, Forestar sold its remaining property to Richmond American Homes of Maryland, Inc. (“Richmond American,” and together with TRI Pointe, the “Developers”). In both instances, the property was sold in a mass graded condition.

TRI Pointe is in the final stages of its development in Improvement Area No. 2, which is expected to consist of 49 single-family residential units at completion in one neighborhood. Richmond American is at the mid-point of its development in Improvement Area No. 2, which is expected to consist of 163 single family residential units at completion divided into two neighborhoods. TRI Pointe is building homes in Tract No. 32772 within a neighborhood known as “TopazRidge II.” Richmond American is building homes in Tract Nos. 35932-1 and 35932 within a neighborhood known as “Fallbrook” and in Tract No. 36323 within a neighborhood known as “Paseo.”

As of December 1, 2015, within Improvement Area No. 2, 91 homes had been completed and conveyed to individual homeowners, 35 homes were complete or substantially complete (over 95% complete) and owned by the Developers, eight homes were under construction, and the remaining 78 residential lots were in finished lot condition without any home construction thereon. As of December 1, 2015, building permits had been obtained for 29 of the 78 residential lots in finished condition. As of December 1, 2015, TRI Pointe owned only eight lots within Improvement Area No. 2, of which five were in escrow. Because TRI Pointe is expected to transfer the last of its residential lots to individual homeowners in early 2016, information herein regarding the Developers will focus primarily on Richmond American and its two neighborhoods. See “— Richmond American” below.

The Bonds are not secured by any real property or any levy of taxes on property in Improvement Area 1. Levies of special taxes in Improvement Area 1 are not security for the Bonds. The real property in Improvement Area 1 was fully developed by Fiscal Year 2012-13.

Description of Authorized Facilities

The City Facilities authorized to be financed from Bond proceeds consist of street and road facilities, including street lights and traffic signals, storm water drainage facilities, water system facilities, including capacity in existing facilities, sewer system facilities including capacity in existing facilities and sewage treatment capacity, parks and park and recreation facilities, transportation facilities, and electric transmission and distribution facilities, as well as incidental expenses related to the planning, design and completion of such facilities. The School District Facilities authorized to be financed from Bond proceeds include the design, construction and acquisition of certain public school facilities of the School District for elementary school, middle school and high school facilities, to be owned and operated by the School District pursuant to that certain Joint Community Facilities Agreement by and between the School District and the City dated as of May 1, 2007.

The estimated costs of the City Facilities and School District Facilities to be paid from the proceeds of the Bonds and Special Taxes levied and collected by the District are described in Table 1 below. From these amounts, \$_____ will be paid to Foremost, as the master developer for Improvement Area No. 2, as reimbursement for facilities already constructed by Foremost.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
ESTIMATED COSTS OF FACILITIES

<i>Project</i>	<i>Estimated Cost</i>
City Facilities	
School District Facilities	
Total	

Source: The District.

Richmond American

General. Richmond American Homes of Maryland, Inc., a Maryland corporation (“Richmond American”) is a wholly-owned subsidiary of M.D.C. Holdings, Inc., a Delaware corporation (“MDC”), a publicly traded company whose common stock is listed on the New York Stock Exchange under the symbol “MDC.” Through its predecessor, Richmond American has been building homes in California since 1986.

MDC has two primary operations: homebuilding and financial services. MDC’s homebuilding operations consist of wholly-owned subsidiary companies that build and sell homes under the name “Richmond American Homes.” MDC’s financial services operations include subsidiary companies that provide mortgage financing, place title insurance and homeowner insurance for Richmond American homebuyers, and provide general liability insurance for MDC subsidiaries and most of the Richmond American subcontractors.

MDC is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). Such filings, particularly MDC’s Annual Report on Form 10-K set forth certain data relative to the consolidated results of operations and financial position of MDC and its subsidiaries as of such dates. The SEC maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of such Internet web site is www.sec.gov. Copies of MDC’s Annual Report and related financial statements, prepared in accordance with generally accepted accounting standards, are also available from MDC and Richmond American’s website at www.richmondamerican.com.

These Internet addresses and references to filings with the SEC are included for reference only, and the information on these websites and on file with the SEC are not a part of this Official Statement and are not incorporated by reference into this Official Statement. Investors should not rely on the information and financial statements contained on these websites in evaluating whether to buy, hold or sell the Bonds. Neither Richmond American nor MDC is obligated to advance funds for construction or development or to pay ad valorem property taxes or the Special Taxes and investors should not rely on the information and financial statement contained on these Internet sites.

The owners of property within Improvement Area No. 2 will not be personally liable for payment of the Special Taxes to be applied to pay the principal of and interest on the Bonds.

Representations. In connection with the issuance of the Bonds, an officer or authorized representative of Richmond American will execute a certificate on behalf of such entity, containing the following representations (among others):

(1) except as described in this Official Statement, there is no material indebtedness of Richmond American or its Relevant Entities (defined below) that is secured by an interest in the Property (defined below);

(2) neither Richmond American nor, to the Actual Knowledge of Richmond American (defined below), any of its Relevant Entities is in default on any obligation to repay borrowed money, which default is reasonably likely to materially and adversely affect Richmond American's ability to develop the Property as proposed in this Official Statement or to pay the Special Taxes due with respect to the Property; and

(3) to the Actual Knowledge of Richmond American, neither Richmond American nor any of its Relevant Entities has been delinquent to any material extent in the last five years in the payment of any *ad valorem* property tax, special assessment or special tax on property in California owned by Richmond American or by any such Relevant Entity during the period of its ownership included within the boundaries of a community facilities district or an assessment district that (a) caused a draw on a reserve fund relating to such assessment district or community facilities district financing or (b) resulted in a foreclosure action being commenced.

As used in the above representations of Richmond American, the following defined terms and phrases have the following meanings:

“Actual Knowledge of Richmond American” shall mean the knowledge of the authorized officer of Richmond American signing the certificate containing the above representations (the “Richmond American Letter of Representations”) as of the date of the Richmond American Letter of Representations obtained from interviews with such current officers and responsible employees of Richmond American and its Relevant Entities as the authorized officer signing the Richmond American Letter of Representations has determined are likely, in the ordinary course of their respective duties, to have knowledge of the matters set forth in the Richmond American Letter of Representations. The authorized officer of Richmond American signing the Richmond American Letter of Representations has not conducted any extraordinary inspection or inquiry other than such inspections or inquiries as are prudent and customary in connection with the ordinary course of Richmond American's current business and operations. Richmond American has not contacted individuals who are no longer with Richmond American or its Relevant Entities.

“Relevant Entity” means, with respect to Richmond American, any other Person: (i) who directly, or indirectly through one or more intermediaries, is currently controlling, controlled by or under common control with Richmond American, and (ii) for whom information, including financial information or operating data, concerning such Person is material to an evaluation of Improvement Area No. 2 and the Bonds (i.e., such Person's assets or funds would materially affect Richmond American's ability to develop the Property as proposed in this Official Statement or to pay its Special Taxes). “Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof. For purposes hereof, the term “control” (including the terms “controlling,” “controlled by” or “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of Richmond American, whether through the ownership of voting securities, by contract or otherwise.

“Property” means the property within Improvement Area No. 2 held in the name of Richmond American.

Other Developments. Other development projects recently completed or currently under development by Richmond American in Southern California include the following:

<i>Site Name</i>	<i>Location</i>	<i>Current or final Base Selling Price Range</i>	<i>Estimated Number of Homes at Completion</i>
Horseshow Ridge at Audie Murphy	Menifee	\$379,990 to \$415,990	117
Palomino at Audie Murphy	Menifee	\$338,990 to \$362,990	112
Magnolia at Sundance	Beaumont	\$292,990 to \$329,990	128
Serrano at Glenrose Ranch	Highland	\$310,000 to \$344,000	118
Steeplechase	Perris	\$305,990 to \$360,990	137
Madison at Rosetta Canyon	Lake Elsinore	\$297,990 to \$332,990	117
Willow at Spencer's Crossing	Menifee		38
Bridgegate at Canyon Hills	Lake Elsinore		93
Cypress @ Canyon Hills	Lake Elsinore		131

Source: Richmond American.

Development Plan.

The Fallbrook neighborhood is being built by Richmond American on Tract Nos. 35932-1 and 35392 and is expected to include 111 single-family detached homes at build out. As of December 1, 2015, the date of value for the Appraisal Report, within the Fallbrook neighborhood, 30 homes had been completed and conveyed to individual homeowners, 15 homes were completed (construction over 95% complete) and owned by Richmond American (including three model homes), eight homes were under construction, and the remaining 58 residential lots were in finished lot condition without any home construction thereon (49 of which had not yet obtained building permits). As of December 1, 2015, within Fallbrook, 15 homes were under contract for sale to individual homebuyers but escrow had not yet closed. Homes under contract may not result in closed escrow as sales contracts are subject to cancellation. The first homes in the Fallbrook neighborhood were closed to individual homeowners in [August/December] 2014.

All of the public improvements with respect to the development of the Fallbrook neighborhood have been completed and home construction within the Fallbrook neighborhood is anticipated to be completed and final homes conveyed to individual homebuyers by _____.

The homes within the Fallbrook neighborhood range in size from approximately 1,821 square feet to approximately 2,123 square feet.

A summary of the homes by product type, estimated sizes and current base sales prices for the homes being constructed by Richmond American within the Fallbrook neighborhood is set forth below:

**Fallbrook Neighborhood
(as of December 1, 2015)**

<i>Development</i>	<i>Plan</i>	<i>Proposed Number of Homes</i>	<i>Estimated Square Footage⁽¹⁾</i>	<i>Individual Owned</i>	<i>Current Base Sales Price⁽²⁾</i>
Fallbrook	1	38	1,821	10	\$381,923
Fallbrook	2	32	1,920	7	395,573
Fallbrook	3	<u>41</u>	2,123	<u>12</u>	407,041
Total		<u>111</u>		<u>26</u>	

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

(2) Current base sales prices are as of December 1, 2015 and exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that base sales prices in the future will not differ from the base sales prices set forth in this table.

Paseo. The Paseo neighborhood is being built by Richmond American on Tract No. 36323 and is expected to include 52 homes at build out. As of December 1, 2015, the date of value for the Appraisal Report, 20 homes had been completed and conveyed to individual homeowners, 12 homes were completed (construction over 95% complete) and owned by Richmond American (including two model homes), and the remaining 20 residential lots were in finished lot condition without any home construction thereon (all with building permits obtained). As of December 1, 2015, within Paseo, eight homes were under contract for sale to individual homebuyers but escrow had not yet closed. Homes under contract may not result in closed escrow as sales contracts are subject to cancellation. The first homes in the Paseo neighborhood were closed to individual homeowners in [August/December] 2014.

All of the public improvements with respect to the development of the Paseo neighborhood have been completed and home construction within the Paseo neighborhood is anticipated to be completed and final homes conveyed to individual homebuyers by _____.

The homes within the Paseo neighborhood range in size from approximately 2,152 square feet to approximately 2,891 square feet.

A summary of the homes by product type, estimated sizes and current base sales prices for the homes being constructed by Richmond American within the Paseo neighborhood is set forth below:

**Paseo Neighborhood
(as of December 1, 2015)**

<i>Development</i>	<i>Plan</i>	<i>Proposed Number of Homes</i>	<i>Estimated Square Footage⁽¹⁾</i>	<i>Individual Owned</i>	<i>Current Base Sales Price⁽²⁾</i>
Paseo	1	13	2,152	3	\$428,190
Paseo	2	18	2,354	6	446,101
Paseo	3	9	2,689	1	469,990
Paseo	3X	<u>12</u>	2,891	10	469,157
Total		<u>52</u>			

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

⁽²⁾ Current base sales prices are as of December 1, 2015 and exclude options, upgrades, lot premiums and any incentives being offered. There can be no assurance that base sales prices in the future will not differ from the base sales prices set forth in this table.

Financing Plan.

All infrastructure facilities associated with the Fallbrook and Paseo neighborhoods have been completed. As of December 1, 2015, within the Fallbrook and Paseo neighborhoods, Richmond American expects to expend approximately \$_____ additional site development costs (consisting of impact fees of \$_____ and site improvement costs of \$_____), and approximately \$_____ in additional home construction costs until full buildout of the homes proposed to be constructed therein (exclusive of internal financing repayment, sales and marketing, corporate overhead carry costs, and other soft costs).

To date, Richmond American has financed its land acquisition, site development and home construction costs related to its property in Improvement Area No. 2 through internally generated funds. Richmond American expects to use homes sales revenue and internally generated funds to complete its development of its property in Improvement Area No. 2. Richmond American believes that it will have sufficient funds available to complete the proposed development of its property as described in this Official Statement commensurate with the development timing described in this Official Statement.

Although Richmond American expects to have sufficient funds available to complete its development in Improvement Area No. 2, commensurate with the development timing described in this Official Statement, there can be no assurance, however, that amounts necessary to finance the remaining development and home construction costs will be available from Richmond American or any other source when needed. Neither Richmond American, nor its parent, MDC, nor any of its related entities are under any legal obligation of any kind to expend funds for the remaining development of and construction of homes on its property in Improvement Area No. 2. Any contributions by Richmond American to fund the costs of such development and home construction are entirely voluntary.

If and to the extent that internal funding, including but not limited to home sales revenues, is inadequate to pay the costs to complete the planned development by Richmond American within Improvement Area No. 2 and other financing by Richmond American is not put into place, there could be a shortfall in the funds required to complete the proposed development by Richmond American in Improvement Area No. 2 and the remaining portions of Richmond American's projects in Improvement Area No. 2 may not be developed.

TRI Pointe Development within Improvement Area No. 2

Topazridge II. The Topazridge II neighborhood is being built by TRI Pointe on Tract No. 32772 and is expected to include 49 homes at build out. As of the date of value for the appraisal, 41 units had been completed and conveyed to individual homeowners and 8 units were completed (construction over 95% complete) but owned by TRI Pointe. Of the units not yet conveyed to individual homeowners, 5 had been sold as of December 1, 2015 but escrow has not yet closed. All of the public improvements with respect to the development of the Topazridge II neighborhood have been completed. The first homes in the Topazridge II neighborhood were closed to individual homeowners in July 2014. TRI Pointe expects all units to have been conveyed to homeowners by February, 2016.

The homes within the Topazridge II neighborhood range in size from approximately 2,567 square feet to approximately 3,773 square feet.

A summary of the units by product type and the estimated sizes for the property being developed by TRI Pointe within Topazridge II is set forth below.

<i>Development</i>	<i>Plan</i>	<i>Number of Homes</i>	<i>Square Footage ⁽¹⁾</i>	<i>Individual Owned ⁽²⁾</i>	<i>Average Base Sales Price</i>
Topazridge II	1	10	2,567	10	\$465,710
Topazridge II	2	15	3,426	13	515,855
Topazridge II	3	24	3,773	18	544,805

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

⁽²⁾ As of December 1, 2015.

Estimated Direct and Overlapping Indebtedness

Within the boundaries of Improvement Area No. 2 are numerous overlapping local agencies providing public services. The approximate amount of the direct and overlapping debt on the parcels within Improvement Area No. 2 for fiscal year January 1, 2016 is shown in Table 2 below (the "Debt Report").

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 1, 2015

I. Appraisal Value							\$68,567,143
II. Land Secured Bond Indebtedness							
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels ⁽³⁾	Amount Applicable	
CITY OF RIVERSIDE CFD NO. 2006-1 IA 2	CFD	\$6,365,000*	\$ 6,365,000*	100.000%	212	\$ 6,365,000*	
TOTAL LAND SECURED BONDED DEBT⁽¹⁾⁽²⁾						\$ 6,365,000*	
III. General Obligation Bond Indebtedness							
Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels	Amount Applicable	
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$110,420,000	0.001957%	212	\$ 2,160	
CITY OF RIVERSIDE	GO	20,000,000	12,430,000	0.197598	212	24,561	
RIVERSIDE COMMUNITY COLLEGE DISTRICT DEBT SERVICE	GO	310,003,424	267,357,210	0.054309	212	145,200	
ALVORD UNIFIED SCHOOL DISTRICT DEBT SERVICE	GO	252,940,233	223,080,233	0.656117	212	1,463,667	
TOTAL GENERAL OBLIGATION BONDED DEBT⁽¹⁾						\$ 1,635,588	
Authorized but Unissued Direct and Overlapping Debt	Type	Authorized	Unissued	% Applicable	Parcels	Amount Applicable	
METROPOLITAN WATER DEBT SERVICE	GO	\$850,000,000	\$ 0	0.001957%	212	\$ 0	
CITY OF RIVERSIDE	GO	20,000,000	0	0.197598	212	0	
RIVERSIDE COMMUNITY COLLEGE DISTRICT DEBT SERVICE	GO	350,000,000	39,996,576	0.054309	212	21,722	
ALVORD UNIFIED SCHOOL DISTRICT DEBT SERVICE	GO	253,000,000	59,767	0.656117	212	392	
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS⁽¹⁾						\$ 22,114	
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS							\$ 1,657,702
TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT							\$ 8,000,588*

IV. Ratios to Appraisal Value

Outstanding Land Secured Bonded Debt	10.77:1*
Total Outstanding Bonded Debt	8.57:1*

* Preliminary, subject to change.

(1) Albert A. Webb Associates is not aware of any additional bonded debt for parcels in CFD No. 2006-1 IA 2 for the referenced Fiscal Year 2016-17. Issued, Outstanding and Authorized amounts are for Improvement Area No. 2.

(2) Amount includes \$5,085,000 Special Tax Revenue Bonds Series 2016A and \$1,280,000 Special Tax Revenue Bonds, Series 2016 Series B (Taxable). Additional bonds may be issued for refunding only.

(3) All parcels have subdivided into 212 individual parcels for Fiscal Year 2016-17 for Improvement Area No. 2. As of January 1, 2016 163 parcels are developed and 49 are undeveloped.

Source: Albert A. Webb Associates.

Expected Tax Burden

Based on the appraised values within Improvement Area No. 2 set forth in the Appraisal Report, the projected debt service on the Bonds, estimated District administrative expenses of \$30,000 and other information known to the City, the City expects that, beginning in Fiscal Year 2016-17, the projected effective tax rates levied on taxable property in Improvement Area No. 2, based on development status as of December 1, 2016, will range from approximately 1.72%* to 1.85%* of the appraised value. However, the City Council

* Preliminary, subject to change.

is obligated to levy Special Taxes on parcels of taxable property in Improvement Area No. 2 in each fiscal year in an amount sufficient to pay debt service on the outstanding Bonds.

Table 3 below describes the estimated Fiscal Year 2016-17 effective tax burden for sample units of Developed Property within each neighborhood in Improvement Area No. 2, based on development status as of December 1, 2016, assuming Special Taxes levied in Fiscal Year 2016-17 will equal the projected Bond debt service plus \$30,000 in estimated District administrative expenses and other overlapping debt.

The estimated tax rates and amounts presented in this Official Statement are based on currently available information. The actual amounts charged may vary and may increase in future years depending on the amount of Bonds and Parity Bonds outstanding, and the number of delinquencies in Improvement Area No. 2, among other factors.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
PROJECTED FISCAL YEAR 2016-17 EFFECTIVE TAX RATES
FOR SAMPLE UNITS OF DEVELOPED PROPERTY WITHIN EACH NEIGHBORHOOD

Plan Type CFD Tax Category Home Size Projected Home Price ⁽¹⁾	Improvement Area No. 2										
	Topazridge II (TR 32772)			Fallbrook (TR 35932, -I)			Paseo (TR 36323)				Average Parcel
	1	2	3	1	2	3	1	2	3	3X	
	1,900 to 2,699 S.F.	3,000 to 3,699 S.F.	3,700 3,899 S.F.	1,899 S.F. or Less	1,900 to 2,699 S.F.	1,900 to 2,699 S.F.	1,900 to 2,699 S.F.	1,900 to 2,699 S.F.	1,900 to 2,699 S.F.	2,700 to 2,999 S.F.	
	2,567	3,426	3,773	1,821	1,920	2,123	2,152	2,354	2,689	2,891	
	\$ 462,060	\$ 496,770	\$ 528,220	\$ 378,768	\$ 389,760	\$ 403,370	\$ 408,880	\$ 423,720	\$ 443,685	\$ 468,342	\$ 440,358
Ad Valorem Property Taxes:											
General Purpose	\$ 4,621	\$ 4,968	\$ 5,282	\$ 3,788	\$ 3,898	\$ 4,034	\$ 4,089	\$ 4,237	\$ 4,437	\$ 4,683	\$ 4,404
Alvord Unified School District (0.15335%)	709	762	810	581	598	619	627	650	680	718	675
Riverside City Community College District (0.01725%)	80	86	91	65	67	70	71	73	77	81	76
Metro Water West (0.00350%)	16	17	18	13	14	14	14	15	16	16	15
City of Riverside (0.00576%)	27	29	30	22	22	23	24	24	26	27	25
Total General Property Taxes	\$ 5,452	\$ 5,861	\$ 6,232	\$ 4,469	\$ 4,599	\$ 4,759	\$ 4,824	\$ 4,999	\$ 5,235	\$ 5,526	\$ 5,196
Assessment, Special Taxes & Parcel Charges:											
Flood Control Stormwater / Cleanwater / Santa Ana	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
CSA #152 City of Riverside	10	10	10	10	10	10	10	10	10	10	10
City of Riverside Lighting District	31	31	31	31	31	31	31	31	31	31	31
Riverside City Library Services	19	19	19	19	19	19	19	19	19	19	19
MWD Standby charge	9	9	9	9	9	9	9	9	9	9	9
CFD 2006-1 IA 2 (Riverwalk Vista) ^{(2)*}	2,443	3,054	3,489	2,256	2,443	2,443	2,443	2,443	2,443	3,005	2,646
Total Assessments & Parcel Charges*	\$ 2,517	\$ 3,127	\$ 3,562	\$ 2,329	\$ 2,517	\$ 2,517	\$ 2,517	\$ 2,517	\$ 2,517	\$ 3,079	\$ 2,720
Projected Total Property Tax*	\$ 7,968	\$ 8,988	\$ 9,795	\$ 6,798	\$ 7,115	\$ 7,276	\$ 7,341	\$ 7,516	\$ 7,752	\$ 8,604	\$ 7,915
Projected Effective Tax Rate*	1.72%	1.81%	1.85%	1.79%	1.83%	1.80%	1.80%	1.77%	1.75%	1.84%	1.80%

* Preliminary, subject to change.

(1) Reflects the appraised value of the base plan prices based on ownership status as of December 1, 2015, the date of value of the Appraisal.

(2) Reflects Fiscal Year 2016-17 Special Tax levy and includes priority Administrative Expenses in the amount of \$30,000.

Source: Albert A. Webb Associates.

Appraisal Report

An MAI appraisal of the land and existing improvements within Improvement Area No. 2 was prepared by Kitty Siino & Associates, Inc., Tustin, California, dated January 15, 2016. See APPENDIX B — “APPRAISAL REPORT.” The Appraisal Report sets forth an estimate of the market value of the fee simple interest of the taxable land and improvements within Improvement Area No. 2 based on a sales comparison approach along with utilizing certain mass appraisal techniques. The Appraisal Report determined a minimum base value for the completed homes in each floor plan of each tract within Improvement Area No. 2. Parcels with homes under construction that are less than 95% complete were valued as if in a finished lot with no additional improvements. The Appraiser is of the opinion that, based upon the assumptions and conditions contained in the Appraisal Report, the aggregate market value and minimum market value of the taxable land and improvements in existence within Improvement Area No. 2 as of December 1, 2015, was \$68,567,143.

The Appraisal Report is based upon a variety of assumptions and limiting conditions that are described in Appendix B. The City makes no representation as to the accuracy of the Appraisal Report. See APPENDIX B — “APPRAISAL REPORT.” There is no assurance that the property within Improvement Area No. 2 can be sold for the prices set forth in the Appraisal Report or that any parcel can be sold for a price sufficient to pay the Special Tax for that parcel in the event of a default in payment of Special Taxes by the landowner. See “RISK FACTORS — Land Values” and APPENDIX B — “APPRAISAL REPORT.”

Estimated Value-to-Lien Ratio

Estimated Assessed Value-to-Lien Ratio. The assessed value of the land within Improvement Area No. 2 is \$47,954,973 for Fiscal Year 2015-16. Dividing the assessed value by the principal amount of the Bonds plus all overlapping debt secured by a tax or assessment on the property within Improvement Area No. 2 results in an estimated assessed value-to-lien ratio of 7.53^{*}-to-1 for Improvement Area No. 2. See Table 2 for a list of direct and overlapping debt within Improvement Area No. 2.

Estimated Appraised Value-To-Lien Ratio. Table 4 below incorporates the values assigned to parcels in the Appraisal Report, the estimated principal amount of the Bonds allocable to each category of parcels and the estimated appraised value-to-lien ratios for various categories of parcels based upon (i) land values and property ownership in Improvement Area No. 2 as updated by the Appraisal Report to December 1, 2015, and (ii) the projected Fiscal Year 2016-17 Special Tax levy based upon development status of December 1, 2015.

^{*} Preliminary, subject to change.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
ESTIMATED VALUE-TO-LIEN RATIOS
ALLOCATED BY PROPERTY OWNER
OWNERSHIP AS OF DECEMBER 1, 2015

<i>Property Owner</i>	<i>No. of Parcels</i>	<i>Appraised Property Value⁽⁴⁾</i>	<i>% of Appraised Value</i>	<i>Maximum Tax</i>	<i>Percentage of Maximum Tax</i>	<i>Estimated Fiscal Year 2016-17 Levy⁽⁵⁾ *</i>	<i>Percentage of Fiscal Year 2016-17 Levy *</i>	<i>CFD 2006-1 IA 2 Proposed 2016 Bonds⁽⁶⁾ *</i>	<i>Value-to- Lien Ratio *</i>
Developed Individually Owned	91	\$ 41,242,445	60.15%	\$ 377,788	46.45%	\$ 252,518	58.08%	\$ 3,696,923	11.16:1
Developed TRI Pointe Owned ⁽¹⁾	8	3,357,433	4.90	34,531	4.25	27,007	6.21	395,383	8.49:1
Developed Richmond American Owned ⁽²⁾	<u>64</u>	<u>15,748,629</u>	<u>22.97</u>	<u>261,918</u>	<u>32.21</u>	<u>155,236</u>	<u>35.71</u>	<u>2,272,694</u>	<u>6.93:1</u>
Subtotal Developed	163	60,348,507	88.01	674,237	82.90	434,760	100.00	6,365,000	9.48:1
Undeveloped Richmond American Owned ⁽³⁾	<u>49</u>	<u>8,218,636</u>	<u>11.99</u>	<u>139,028</u>	<u>17.10</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>N/A</u>
Total	212	\$ 68,567,143	100.00%	\$ 813,266	100.00%	\$ 434,760	100.00%	\$ 6,365,000	10.77:1

* Preliminary, subject to change.

(1) Reflects Appraised Value for 8 Homes 95% Completed which have building permits issued and are therefore considered developed per the Rates and Method.

(2) Reflects Appraised Value for 1 Model Home which has a building permit issued, 8 Homes Under Construction, 26 Homes 95% Completed, and 30 Finished Lots which have building permits issued and are therefore considered developed per the Rate and Method of Apportionment.

(3) Reflects 49 parcels that are considered undeveloped that have appraisal values but would not be levied against given the current status of development.

(4) Reflects the appraised value based on ownership status as of December 1, 2015, the date of value of the Appraisal.

(5) Estimated Fiscal Year 2016-17 Special Tax Levy based upon development status as of December 1, 2015 and preliminary debt service with priority administration of \$30,000.

(6) Includes the principal amount of the Bonds. Responsibility of the principal amount of the Bonds has been allocated based on the projected Fiscal Year 2016-17 Special Tax levy based on development status in Improvement Area No. 2 as of December 1, 2015 and the assigned rates per tax rate category as outlined in the Rates and Method.

Source: Albert A. Webb Associates.

Delinquency History

The following table is a summary of Special Tax levies, collections and delinquency rates in Improvement Area No. 2 for Fiscal Years 2014-15 and 2015-16.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEARS 2014-15 AND 2015-16

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year in which Special Taxes Were Levied</i>			<i>Delinquencies as of February 1, 2016</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>
2014-15	\$ 43,477.00	11	0	\$0.00	0.00%	0	\$ 0.00	0.00%
2015-16	391,058.00	114	N/A	N/A	N/A	14	13,224.00	6.76

Source: Albert A. Webb Associates.

Value-to- Lien Strata

Table 6 below sets forth the appraised value-to-lien ratios for the parcels in Improvement Area No. 2 by value-to-lien range based on the projected Fiscal Year 2016-17 Special Tax levy and development status as of December 1, 2015.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
VALUE-TO-LIEN STRATA FOR DEVELOPED PROPERTY
BASED ON DEVELOPMENT STATUS AS OF DECEMBER 1, 2015

<i>Value-to Lien</i>	<i>No. of Parcels of Developed Property</i>	<i>Percentage of Developed Property</i>	<i>Appraised Value⁽¹⁾</i>	<i>Percentage of Appraised Value</i>	<i>CFD 2006-1 IA 2 Estimated Fiscal Year 2016-17 Levy*</i>	<i>CFD 2006-1 IA 2 Percent Share of Estimated Fiscal Year 2016-17 Levy *</i>	<i>CFD 2006-1 IA 2 Proposed 2016 Bonds^{(2)*}</i>	<i>Percent Share of Proposed 2016 Bonds*</i>	<i>Aggregate Value-to Lien*</i>
Less than 5.00:1 ⁽³⁾	11	6.57%	\$ 1,845,000	3.06%	\$ 26,842	6.17%	\$ 392,979	6.17%	4.69:1
Between 5.00:1 to 8.00:1	28	17.18	5,697,351	9.44	68,324	15.72	1,000,286	15.72	5.70:1
Between 8.01:1 to 11:00:1	68	41.72	28,414,132	47.08	196,891	45.29	2,882,541	45.29	9.86:1
Greater than 11.01:1	<u>56</u>	<u>34.36</u>	<u>24,392,024</u>	<u>40.42</u>	<u>142,702</u>	<u>32.82</u>	<u>2,089,194</u>	<u>32.82</u>	<u>11.68:1</u>
Totals	163	100.00%	\$ 60,250,628	100.00%	\$ 434,760	100.00%	\$ 6,365,000	100.00%	9.48:1

* Preliminary, subject to change.

(1) Reflects the appraised value based on ownership status as of December 1, 2015, the date of value of the Appraisal.

(2) Responsibility of the par amount of the Bonds has been allocated based on the projected Fiscal Year 2016-17 special tax levy based on development status as of December 1, 2015 and preliminary bond sizing as provided by the Underwriter.

(3) The lowest value to lien in this category is 4.69:1.

Source: Albert A. Webb Associates

Table 7 below sets forth the appraised value-to-lien ratios for the parcels in Improvement Area No. 2 by value-to-lien range based on the projected Fiscal Year 2016-17 Special Tax levy and projected development status at buildout.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
VALUE-TO-LIEN STRATA FOR DEVELOPED PROPERTY
BASED ON PROJECTED DEVELOPMENT STATUS AT BUILDOUT

<i>Value-to Lien</i>	<i>No. of Parcels of Developed Property</i>	<i>Percentage of Developed Property</i>	<i>Appraised Value⁽¹⁾</i>	<i>Percentage of Appraised Value</i>	<i>CFD 2006-1 IA 2 Aggregate Assigned Tax*</i>	<i>Percent Share of Proposed 2016 Bonds*</i>	<i>CFD 2006-1 IA 2 Proposed 2016 Bonds^{(2)*}</i>	<i>Percent Share of Proposed 2016 Bonds*</i>	<i>Aggregate Value-to-Lien*</i>
Less than 5.00:1 ⁽³⁾	1	0.47%	\$ 167,727	0.24%	\$ 3,782	0.54%	\$ 34,625	0.54%	4.84:1
Between 5.00:1 to 7.00:1	65	30.66	10,902,273	15.90	194,447	27.97	1,780,217	27.97	6.12:1
Between 7.00:1 to 9.00:1	20	9.43	4,000,000	5.83	61,500	8.85	563,050	8.85	7.10:1
Between 9.01:1 to 11.00:1	8	3.77	3,247,109	4.74	33,910	4.88	310,456	4.88	10.46:1
Between 11.00:1 to 13.00:1	29	13.68	9,874,994	14.40	90,945	13.08	832,627	13.08	11.86:1
Between 13.00:1 to 15.00:1	72	33.96	32,699,156	47.69	258,368	37.16	2,365,432	37.16	13.82:1
Greater than 15.01:1	<u>17</u>	<u>8.02</u>	<u>7,675,884</u>	<u>11.19</u>	<u>52,275</u>	<u>7.52</u>	<u>478,592</u>	<u>7.52</u>	16.04:1
Totals	212	100.00%	\$ 68,567,143	100.00%	\$ 695,227	100.00%	\$ 6,365,000	100.00%	10.77:1

* Preliminary, subject to change.

(1) Reflects the appraised value based on ownership status as of December 1, 2015, the date of value of the Appraisal.

(2) Responsibility of the par amount of the Bonds has been allocated based on the projected Fiscal Year 2016-17 special tax levy based on development status as of December 1, 2015 and preliminary bond sizing as provided by the Underwriter.

(3) The lowest value to lien in this category is 4.84:1.

Source: Albert A. Webb Associates

Table 8 below sets forth the appraised value-to-lien ratios for the parcels in Improvement Area No. 2 by tax rate category based on the projected Fiscal Year 2016-17 Special Tax levy and projected development status at buildout.

TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 2006-1
OF THE CITY OF RIVERSIDE
(IMPROVEMENT AREA NO. 2)
VALUE-TO-LIEN STRATA BY TAX RATE CATEGORY FOR DEVELOPED PROPERTY
BASED ON PROJECTED DEVELOPMENT STATUS AT BUILDOUT

<i>Tax Rate Category</i>	<i>Parcel Count</i>	<i>Projected Assigned Rate at Build Out⁽¹⁾</i>	<i>Percent of Projected Assigned Rate at Build Out</i>	<i>Projected Max Tax at Build Out</i>	<i>Percent of Projected Maximum Rate at Build Out</i>	<i>Projected Debt Allocation⁽²⁾</i>	<i>Appraised Value Per Appraisal⁽³⁾</i>	<i>Value-to-Lien⁽⁴⁾</i>
1,899 sq. ft. or less	38	\$ 107,882.00	15.52%	\$ 155,513.86	17.78%	\$ 987,690.25	\$ 9,181,084.17	9.30
1,900 to 2,699 sq. ft.	122	375,150.00	53.96	499,281.34	57.08	3,434,604.45	34,589,800.55	10.07
2,700 to 2,999 sq. ft.	13	49,166.00	7.07	53,202.11	6.08	450,128.65	5,472,855.27	12.16
3,000 to 3,699 sq. ft.	15	57,645.00	8.29	61,387.05	7.02	527,756.29	7,259,320.63	13.76
3,799 to 3,899 sq. ft.	24	105,384.00	15.16	105,384.00	12.05	964,820.35	12,064,082.37	12.50
3,900 sq. ft. or greater	<u>0</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total	212	\$ 695,227.00	100.00%	\$ 874,768.36	100.00%	\$ 6,365,000.00	\$ 68,567,143.00	10.77

* Preliminary, subject to change.

(1) Aggregate Assigned Rate per tax rate category based upon projected build out home sizes as provided by the developer.

(2) Debt Allocated based upon projected assigned tax rates for developed properties, to be constructed in sizes as projected by the developer.

(3) Appraised Value as of December 1, 2015. Does not take into consider full value for finished lots currently considered undeveloped.

(4) Value to Lien is based upon preliminary total debt allocated based upon projected build out of the development and current appraised value.

Source: Albert A. Webb Associates

City's Collection Practices

The staff of the City provides administrative and other support services for the community facilities districts that have been formed by the City. These services include, but are not limited to, attempting to collect delinquent special taxes prior to the commencement of foreclosure proceedings by sending demand letters to property owners whose special taxes are delinquent advising them of the consequences of failing to pay the applicable special taxes. The City has not commenced foreclosure proceedings against any delinquent property owners within Improvement Area No. 2. However, the City has covenanted in the Fiscal Agent Agreement to commence foreclosure proceedings under certain circumstances described in this Official Statement. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*."

RISK FACTORS

The purchase of the Bonds involves significant investment risks and, therefore, the Bonds are not suitable investments for many investors. The following is a discussion of certain risk factors which should be considered, in addition to other matters set forth in this Official Statement, in evaluating the investment quality of the Bonds. The Bonds have not been rated by a rating agency. This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Bonds. The occurrence of one or more of the events discussed in this section of this Official Statement could adversely affect the ability or willingness of property owners in Improvement Area No. 2 to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed in this section of this Official Statement could adversely affect the value of the property in Improvement Area No. 2. See "— Land Values" and "— Limited Secondary Market" below.

Risks of Real Estate Secured Investments Generally

The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of Improvement Area No. 2, the supply of or demand for competitive properties in such area, and the market value of residential property or buildings and/or sites in the event of sale or foreclosure; (ii) changes in real estate tax rates and other operating expenses, governmental rules and fiscal policies; and (iii) natural disasters (including, without limitation, earthquakes and floods), which may result in uninsured losses.

No assurance can be given that the individual homeowners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See "RISK FACTORS — Bankruptcy and Foreclosure" below, for a discussion of certain limitations on the District's ability to pursue judicial proceedings with respect to delinquent parcels.

Limited Obligations

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

Insufficiency of Special Taxes

Under the Rates and Method, as of December 1, 2015, approximately 76.9% of the taxable property within Improvement Area No. 2 was classified as Developed Property. The annual amount of Special Tax to be levied on each taxable parcel in Improvement Area No. 2 will generally be based on the land use class to which a parcel of Developed Property is assigned. See APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX” and “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Rates and Method of Apportionment of Special Tax.*”

The maximum Special Taxes that may be levied within Improvement Area No. 2 are at least 110% of Maximum Annual Debt Service on the Bonds. Notwithstanding that the maximum Special Taxes that may be levied in Improvement Area No. 2 exceeds debt service due on the Bonds, the Special Taxes collected could be inadequate to make timely payment of debt service either because of nonpayment or because property becomes exempt from taxation as permitted in the Rates and Method.

In order to pay debt service on the Bonds, it is necessary that the Special Taxes be paid in a timely manner. Should the Special Taxes not be paid on time, the City has established a Reserve Fund in an amount equal to the Reserve Requirement to pay debt service on the Bonds to the extent other funds are not available. See “SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” The City has covenanted to maintain in the Reserve Fund an amount equal to the Reserve Requirement subject, however, to the limitation that the City may not levy the Special Tax in Improvement Area No. 2 in any fiscal year at a rate in excess of the maximum amounts permitted under the Rates and Method. As a result, if a significant number of delinquencies occurs, the District could be unable to replenish the Reserve Fund to the Reserve Requirement due to the limitations on the maximum Special Tax. If such defaults were to continue in successive years, the Reserve Fund could be depleted and a default on the Bonds could occur.

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

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to owners of the Bonds (if the Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the City on behalf of the District of the proceeds of sale. The City may adjust the future Special Tax levied on taxable parcels in Improvement Area No. 2, subject to the limitation on the maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Reserve Fund to an amount equal to the Reserve Requirement and to pay all current expenses. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against taxable parcels in Improvement Area No. 2 will be at all times sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement, even if the Special Tax is levied at the maximum Special Tax rates. See “Bankruptcy and Foreclosure” below for a discussion of potential delays in foreclosure actions.

The Rates and Method governing the levy of the Special Tax expressly exempts up to approximately 22.53 acres of property owned by public agencies and other exempt entities in the District. See Section E of APPENDIX A — “RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX.” If for any reason property within Improvement Area No. 2 becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, another public agency or a religious organization, subject to the limitations of the maximum authorized rates, the Special Tax will be reallocated to the remaining taxable properties within Improvement Area No. 2. This would result in the owners of such property paying a greater

amount of the Special Tax and could have an adverse impact upon the ability and willingness of the owners of such property to pay the Special Tax when due.

The Rates and Method governing the levy of the Special Tax provides that, once a parcel is classified as taxable property, it will remain subject to a Special Tax levy even if subsequently it is acquired by a public agency. The Act provides that, if any property within Improvement Area No. 2 not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and enforceable against the public entity that acquired the property. In addition, the Act provides that, if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested in the courts. Due to problems of collecting taxes from public agencies, if a substantial portion of land within Improvement Area No. 2 was to become owned by public agencies, collection of the Special Tax might become more difficult and could result in collections of the Special Tax which might not be sufficient to pay principal of and interest on the Bonds when due and a default could occur with respect to the payment of such principal and interest.

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, are customarily billed to the properties within Improvement Area No. 2 on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*,” for a discussion of the provisions which apply, and procedures which the City is obligated to follow under the Fiscal Agent Agreement, in the event of delinquencies in the payment of Special Taxes. See “RISK FACTORS — FDIC/Federal Government Interests in Properties” below, for a discussion of the policy of the Federal Deposit Insurance Corporation (the “FDIC”) regarding the payment of special taxes and assessment and limitations on the City’s ability to foreclosure on the lien of the Special Taxes in certain circumstances where property within the District is owned by the federal government, agencies of the federal government, or, possibly, government sponsored enterprises such as Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”).

The City has the authority and the obligation, subject to the Act and the maximum Special Tax rates set forth in the Rates and Method, to increase the levy of Special Taxes against non-delinquent property owners in Improvement Area No. 2 in the event other owners in Improvement Area No. 2 are delinquent. Pursuant to the Rates and Method, under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by owner of any other parcel or parcels within Improvement Area No. 2 by more than 10% in any fiscal year. Thus, the City may not be able to increase Special Tax levies in future fiscal years by enough to make up for delinquencies for prior fiscal years. This would result in draws on the Reserve Fund, and if delinquencies continue and in the aggregate exceed the Reserve Fund balance, defaults would occur in the payment of principal and interest on the Bonds.

Although the City has covenanted in the Fiscal Agent Agreement to commence and diligently pursue foreclosure under the circumstances described under the caption “SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales*,” foreclosure delays may occur under the circumstances described under the caption “RISK FACTORS — Bankruptcy and Foreclosure.” Delinquencies may result as a consequence of many factors. See “RISK FACTORS,” generally, for discussions of certain potential causes of delinquencies.

Natural Disasters

Improvement Area No. 2, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Southern California is a seismically active area. Seismic activity represents a potential risk for damage to buildings, roads, bridges and property within Improvement Area No. 2. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event. According to the County, the property within Improvement Area No. 2 is not located in an Alquist Priolo Earthquake Study Zone and is not located within one-half mile of an active earthquake fault. The property within Improvement Area No. 2 lies approximately six miles northeast of the Chino Fault. Additionally, Improvement Area No. 2 is not located in a flood plain area.

In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in Improvement Area No. 2. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in Improvement Area No. 2 could be diminished in the aftermath of such a natural disaster, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of the Special Taxes.

Hazardous Substances

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel 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 “Superfund 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. Under many of these laws, the owner or operator is obligated to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the taxed parcels be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a parcel that is realizable upon a delinquency and the willingness or ability of the owner of any parcel to pay the Special Tax Installments.

The value of the taxable property within Improvement Area No. 2, as set forth in the various tables in this Official Statement, does not reflect the presence of any hazardous substance or the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the property. The City has not independently verified, but is not aware, that any owner (or operator) of any of the parcels within Improvement Area No. 2 has such a current liability with respect to any such parcel. However, it is possible that such liabilities do currently exist and that the District is not aware of them.

Parity Taxes and Special Assessments

Property within Improvement Area No. 2 is subject to taxes imposed by public agencies also having jurisdiction over the land within Improvement Area No. 2. See “IMPROVEMENT AREA NO. 2 — Estimated Direct and Overlapping Indebtedness.”

The Special Taxes and any related penalties will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all special taxes and special assessments levied by the City and other agencies and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on the property except, possibly, for liens or security interests held by the Federal Deposit Insurance Corporation. See “RISK FACTORS — Bankruptcy and Foreclosure” below.

The City has control over the ability of other entities and districts to issue indebtedness secured by special taxes, *ad valorem* taxes or assessments payable from all or a portion of the property within Improvement Area No. 2. In addition, the landowners within Improvement Area No. 2 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 assessments. Any such special taxes, *ad valorem* taxes or assessments may have a lien on such property on a parity with the Special Taxes and could reduce the estimated value-to-lien ratios for property within Improvement Area No. 2 described in this Official Statement. See “SOURCES OF PAYMENT FOR BONDS” and “IMPROVEMENT AREA NO. 2 — Estimated Direct and Overlapping Indebtedness.”

Disclosures to Future Purchasers

The willingness or ability of an owner of a parcel to pay the Special Tax even if the value of the parcel is sufficient may be affected by whether or not the owner was given due notice of the Special Tax authorization at the time the owner purchased the parcel, was informed of the amount of the Special Tax on the parcel should the Special Tax be levied at the maximum tax rate and the risk of such a levy, and, at the time of such a levy, has the ability to pay it as well as pay other expenses and obligations. The City has caused a notice of the Special Tax lien to be recorded in the Office of the Recorder for the County against each parcel. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a property within Improvement Area No. 2 or lending of money thereon.

The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness and ability of the purchaser or lessor to pay the Special Tax when due.

Non-Cash Payments of Special Taxes

Under the Act, the City Council as the legislative body of the District may reserve to itself the right and authority to allow the owner of any taxable parcel to tender a Bond in full or partial payment of any installment of the Special Taxes or the interest or penalties thereon. A Bond so tendered is to be accepted at par and credit is to be given for any interest accrued thereon to the date of the tender. Thus, if Bonds can be purchased in the secondary market at a discount, it may be to the advantage of an owner of a taxable parcel to pay the Special Taxes applicable thereto by tendering a Bond. Such a practice would decrease the cash flow available to the District to make payments with respect to other Bonds then outstanding; and, unless the practice was limited by the District, the Special Taxes paid in cash could be insufficient to pay the debt service due with respect to such other Bonds. In order to provide some protection against the potential adverse impact on cash flows which might be caused by the tender of Bonds in payment of Special Taxes, the Fiscal Agent Agreement includes a covenant pursuant to which the District will not authorize owners of taxable parcels to satisfy Special Tax obligations by the tender of Bonds unless the District shall have first obtained a report of

an Independent Financial Consultant certifying that doing so would not result in the District having insufficient Special Tax revenues to pay the principal of and interest on all Outstanding Bonds when due.

Payment of the Special Tax is not a Personal Obligation of the Owners

An owner of a taxable parcel is not personally obligated to pay the Special Tax. Rather, the Special Tax is an obligation which is secured only by a lien against the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to secure fully the Special Tax, the District has no recourse against the owner.

Concentration of Ownership

As of February 1, 2016, Richmond American owned ____ lots classified as Developed Property and ____ lots classified as Undeveloped Property within Improvement Area No. 2. Based on development and ownership status as of February 1, 2016, Richmond American is expected to be responsible for approximately ____% of the Fiscal Year 2016-17 Special Tax levy. This amount could increase if Richmond American is unable to sell any of its ____ parcels classified as Developed Property but building permits are pulled on all or some of the remaining ____ parcels of Undeveloped Property.

The timely payment of principal of and interest on the Bonds depends upon the willingness and ability of the current and future property owners in Improvement Area No. 2 to pay the Special Taxes prior to delinquency. General and local economic conditions and governmental requirements or restrictions may affect the willingness of the current property owners, or any successor property owners, to pay the Special Taxes, and there is no assurance that the current property owners, or any successor property owners, will pay such Special Taxes even if financially able to do so. Due to the concentration of ownership of the property within Improvement Area No. 2, a failure by Richmond American or any successor property owner thereto to pay the Special Taxes may result in a default in the payment of debt service on the Bonds. See “IMPROVEMENT AREA NO. 2 – Richmond American.”

Land Values

The value of the property within Improvement Area No. 2 is a critical factor in determining the investment quality of the Bonds. If a property owner is delinquent in the payment of Special Taxes, the District’s only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a continued downturn in the economy, physical events such as earthquakes, fires or floods, stricter land use regulations, delays in development or other events will adversely impact the security underlying the Special Taxes. See “IMPROVEMENT AREA NO. 2 — Appraisal Report” and APPENDIX B — “APPRAISAL REPORT.”

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal Report, that as of December 1, 2015, the market value of the property within Improvement Area No. 2 was \$68,567,143. See “IMPROVEMENT AREA NO. 2 — Appraisal Report.” The Appraisal Report indicates the Appraiser’s opinion as to the minimum market value of the individually owned properties referred to therein as of the date and under the conditions specified therein. The Appraiser’s opinion reflects conditions prevailing in the applicable market as of the date of value. The Appraiser’s opinion does not predict the future value of the subject property, and there can be no assurance that market conditions will not change adversely in the future.

Prospective purchasers of the Bonds should not assume that the taxable land within Improvement Area No. 2 could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In arriving at the estimate of market value, the Appraiser assumes that any sale will be unaffected by undue stimulus and will occur following a reasonable marketing period, which is not always present in a foreclosure sale. See Appendix B for a description of other assumptions made by the Appraiser and for the definitions and

limiting conditions used by the Appraiser. Any event which causes one of the Appraiser's assumptions to be untrue could result in a reduction of the value of the taxable land and improvements within Improvement Area No. 2 from the market value estimated by the Appraiser.

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SOURCES OF PAYMENT FOR THE BONDS — Special Taxes — *Proceeds of Foreclosure Sales.*"

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 Improvement Area No. 2 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 District 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 Improvement Area No. 2, 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 Improvement Area No. 2 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

finances 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 District is unable to predict what effect the application of the Policy Statement would have in the event of a delinquency in the payment of Special Taxes on a parcel within Improvement Area No. 2 in which the FDIC has or obtains an interest, although prohibiting the lien of the Special Taxes 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.

Bankruptcy and Foreclosure

Bankruptcy, insolvency and other laws generally affecting creditors' rights could adversely impact the interests of owners of the Bonds in at least two ways. First, the payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "SOURCES OF PAYMENT FOR THE BONDS—Special Taxes—*Proceeds of Foreclosure Sales*." In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

Second, the Bankruptcy Code might prevent moneys on deposit in the Improvement Fund from being applied to pay interest on the Bonds and/or to redeem Bonds if bankruptcy proceedings were brought by or against a landowner or other party and if the court found that the landowner or other party had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Although a bankruptcy proceeding would not cause the Special Taxes to become extinguished, the amount of any Special Tax lien could be modified if the value of the property falls below the value of the lien. If the value of the property is less than the lien, such excess amount could be treated as an unsecured claim by the bankruptcy court. In addition, bankruptcy of a property owner could result in a delay in prosecuting Superior Court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of delinquent Special Tax installments and the possibility of delinquent Special Tax installments not being paid in full.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be "administrative expenses" of the

bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

The Bankruptcy Reform Act of 1994 (the “Bankruptcy Reform Act”) included a provision which excepts from the Bankruptcy Code’s automatic stay provisions, “the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court].” This amendment effectively makes the Glasply holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the Glasply ruling could still result in the treatment of post-petition special taxes as “administrative expenses,” rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

According to the court’s ruling, as administrative expenses, post-petition taxes would be paid, assuming that the debtor had sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for Special Taxes levied after the filing of a petition in bankruptcy. Glasply is controlling precedent on bankruptcy courts in the State. If the Glasply precedent was applied to the levy of the Special Taxes, the amount of Special Taxes received from parcels whose owners declare bankruptcy could be reduced.

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 moratorium, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

No Acceleration Provision

The Bonds do not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the Bonds or the Fiscal Agent Agreement or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. See “— Limitations on Remedies” below.

Loss of Tax Exemption

As discussed under the caption “LEGAL MATTERS — Tax Exemption,” the interest on the 2016A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the 2016A Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the redemption provisions of the Fiscal Agent Agreement.

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of

creditors' rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners 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 District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See "CONTINUING DISCLOSURE." 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, 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.

Proposition 218

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Article XIIC and 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 assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the Bonds as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rates and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. On July 1, 1997, a bill was signed into law by the Governor of the State enacting Government Code Section 5854, which states that:

"Section 3 of Article XIIC of the California Constitution, as adopted at the November 5, 1996, general election, shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights protected by Section 10 of Article I of the United States Constitution."

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Bonds.

It may be possible, however, for voters or the City Council acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance

can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the City has covenanted that it will not initiate proceedings under the Act to reduce the maximum Special Tax rates on parcels within Improvement Area No. 2 to an amount that is less than 110% of Maximum Annual Debt Service on the Outstanding Bonds and Parity Bonds in each future Bond Year. In connection with the foregoing covenant, the City Council has made a legislative finding and determination that any elimination or reduction of Special Taxes below the foregoing level would interfere with the timely retirement of the Bonds. The City also has covenanted that, in the event an initiative is adopted which purports to alter the Rates and Method, it will commence and pursue legal action in order to preserve its ability to comply with the foregoing covenant. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

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

The facts of the San Diego Decision show that there were thousands of registered voters within the CCFD (viz., all of the registered voters in the City). The election held in Improvement Area No. 2 had no registered voters within Improvement Area No. 2 at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax election in Improvement Area No. 2. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within Improvement Area No. 2 approved the Special Tax and the issuance of bonds on May 22, 2007. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rates and Method may now be brought.

The interpretation and application of Article XIII C and Article XIII D will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts. See “RISK FACTORS — Limitations on Remedies.”

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2016A Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2016A Bonds might be affected as a result of such an audit of the 2016A Bonds (or by an audit of similar bonds).

Ballot Initiatives

Article XIII A, XIII B, XIII C and XIII D were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. On March 6, 1995 in the case of *Rossi v. Brown*, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the City, or local districts to increase revenues or to increase appropriations.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate (the "District Disclosure Certificate") the City on behalf of the District has agreed to provide, or cause to be provided, to the Electronic Municipal Market Access System of the Municipal Securities Rulemaking Board, which can be found on the Internet at www.emma.msrb.org, on an annual basis certain financial information and operating data concerning the District. Additionally, pursuant to a Continuing Disclosure Agreement by and between Richmond American and Albert A. Webb Associates (the "Developer Disclosure Agreement," and, together with the District Disclosure Certificate, the "Disclosure Certificates") Richmond American has agreed to provide, or cause to be provided, to EMMA, on a semi-annual and annual basis certain information concerning Richmond American. The City and Richmond American have further agreed to provide notice to EMMA of certain listed events. These above covenants by the City have been made in order to assist the Underwriter in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission (the "Rule"). See Appendix E hereto for a description of the specific nature of the reports to be filed by the City and Richmond American and notices of listed events to be provided by the City and Richmond American. The full text of the forms of the Disclosure Certificates are set forth in Appendix E.

In the past, to assist the City and its related governmental entities in meeting their continuing disclosure obligations, the City retained certain corporate trust banks to act as dissemination agent. The City and its related governmental entities have not, on a handful of occasions during the past five years, fully complied, in all material respects, with their disclosure undertakings. Specifically, _____

The City and its affiliated governmental entities have made filings to correct all known instances of non-compliance during the last five years.

The City believes that it has established internal processes that will ensure that the City and its related governmental entities will meet all material obligations under their continuing disclosure undertakings. It also now handles its and its related governmental entities' continuing disclosure obligations internally, and no longer uses third-party dissemination agents for that purpose. The Underwriter does not consider the City to be an obligated party with respect to the Rule.

Richmond American has previously entered into various undertakings with regard to Rule 15c2-12. To the Actual Knowledge of Richmond American, Richmond American is not aware of any material failures by it within the last five years to comply with such undertakings under Rule 15c2-12 to provide semi-annual

disclosure reports or notices of certain listed material events with respect to community facilities districts or assessment districts in California.

LEGAL MATTERS

Tax Exemption

In the opinion of Best Best & Krieger LLP, Riverside California, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2016A Bonds is excluded from gross income for federal income tax purposes. Interest on the 2016B Bonds is subject to all applicable federal income taxation. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that interest on the 2016A Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. Bond Counsel further notes, however, that with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 2016A Bonds is based upon certain representations of fact and certifications made by the Agency, the Underwriter and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations adopted pursuant to the Code (the "Treasury Regulations") that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code and the Treasury Regulations might cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016A Bonds. The Agency has covenanted to comply with all such requirements.

To the extent the issue price of any maturity of the 2016A Bonds is less than the amount to be paid at maturity of such 2016A Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the 2016A Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2016A Bonds is the first price at which a substantial amount of such maturity of the 2016A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2016A Bonds accrues daily over the term to maturity of such 2016A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2016A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2016A Bonds. Owners of the 2016A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2016A Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2016A Bonds in the original offering to the public at the first price at which a substantial amount of such 2016A Bonds is sold to the public.

2016A Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Should the interest on the 2016A Bonds become includable in gross income for federal income tax purposes, the 2016A Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2016A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally have limited the exclusion from gross income of interest on obligations like the 2016A Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2016A Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2016A Bonds. Prospective purchasers of the 2016A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2016A Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a 2016A Bond, and Bond Counsel expresses no opinion with respect thereto.

The Internal Revenue Service (the "IRS") has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the 2016A Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2016A Bonds might be affected as a result of such an audit (or by an audit of similar bonds).

Although Bond Counsel has rendered an opinion that interest on the 2016A Bonds is excluded from gross income for federal income tax purposes provided the Agency continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

A copy of the proposed form of opinions of Bond Counsel is attached hereto as Appendix F.

Legal Opinions

The legal opinions of Best Best & Krieger LLP, Riverside, California, approving the validity of the Bonds in substantially the form set forth as Appendix F, will be made available to purchasers at the time of original delivery. A copy of the legal opinions for the Bonds will be provided with each definitive bond. Certain legal matters will be passed upon for the City and the District by the City Attorney's Office, and for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriter.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, the pledge of Special Taxes to repay the Bonds, the powers or authority of the District with respect to the Bonds, or seeking to restrain or enjoin development of the land within Improvement Area No. 2 and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the Bonds.

No Rating

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

Underwriting

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a price of \$_____ (being \$_____ aggregate principal amount thereof, less Underwriter's discount of \$_____ and plus/less net original issue premium/discount of \$_____). The 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 is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower or yields greater than the offering prices or yields stated on the inside cover page of this Official Statement. The offering prices or yields may be changed from time to time by the Underwriter.

Financial Advisor

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

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

Financial Interests

The fees being paid to the Financial Advisor, 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.

Pending Legislation

The District is not aware of any significant pending legislation which would have material adverse consequences on the Bonds or the ability of the District to pay the principal of and interest on the Bonds when due.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations and summaries and explanations of the Bonds and documents contained in this Official Statement

do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

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

CITY OF RIVERSIDE
ON BEHALF OF COMMUNITY FACILITIES
DISTRICT NO. 2006-1 (RIVERWALK VISTA)
OF THE CITY OF RIVERSIDE

By: _____
City Manager

APPENDIX A

RATES AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 (RIVERWALK VISTA) OF THE CITY OF RIVERSIDE

A Special Tax (as hereinafter defined) shall be levied on all Assessor's Parcels of Taxable Property within Improvement Area No. 2 ("Improvement Area No. 2") of Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the "District") in each Fiscal Year, in an amount determined by the City Council of the City of Riverside (the "Council" or the "City") through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Association Property," or "Taxable Public Property" as provided below. All Assessor's Parcels within Improvement Area No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on the Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, lot line adjustment, condominium plan, or other recorded parcel map.

"Act" means the Mello Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of the District with respect to Improvement Area No. 2: the costs of computing the Special Taxes and preparing the annual Special Tax levy schedules (whether by the City, the District, or an agent thereof); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, the District or any agent thereof in complying with arbitrage rebate requirements; the costs to the City, the District or any agent thereof to provide continuing disclosure information; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, the District or any agent thereof related to an appeal of the Special Tax. Administrative Expenses shall also include amounts advanced by the City or the District for any other administrative purposes of the District, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure proceedings for the collection of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the Assessor of the County of Riverside designating parcels by Assessor's Parcel number.

"Association Property" means any property owned by or irrevocably offered or dedicated to or for which an easement for purposes of right of way has been granted to a property owners' association, including any master or sub association.

"Assigned Special Tax" means the Assigned Special Tax for each Land Use Category of Developed Property, as specified in Table A.

“Backup Special Tax” means the Backup Special Tax amount determined for an Assessor’s Parcel pursuant to Section-C.

“Backup Special Tax Per Acre” means \$33,102 per Acre.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether issued in one or more series, secured by the levy of Special Taxes on Assessor’s Parcels of Taxable Property.

“Developed Property” means all Assessor’s Parcels within Improvement Area No. 2, exclusive of Association Property and Public Property, upon which completed Dwelling Units or non-residential buildings have been constructed or for which building permits have been issued as of March 1 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

“District Administrator” means the Assistant City Manager/CFO/Treasurer of the City, or his or her designee, or any agent appointed by him or her, who shall be responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“Dwelling Unit” or **“DU”** means a single family home or condominium unit.

“Exempt Property” means all Assessor’s Parcels within Improvement Area No. 2 designated as being exempt from the Special Tax as provided in Section E.

“Final Subdivision” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or recordation of a condominium plan pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued without further subdivision.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area No. 2” means Improvement Area No. 2 of the District, the boundaries of which are identified on the map of the boundaries of the District.

“Indenture” means the indenture, fiscal agent agreement, trust agreement, or resolution, pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means for Assessor’s Parcels of Developed Property, the categories of Residential Property and Non-Residential Property identified in Table 1.

“Maximum Special Tax” means the Maximum Special Tax, determined as provided in Section C, which can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property within Improvement Area No. 2.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property upon which completed non-residential buildings have been constructed or for which building permits have been or may be issued for construction of such buildings.

“Proportionately” means for Developed Property that the ratio of the amount of Special Tax levied to the Assigned Special Tax is the same for all Assessor’s Parcels of Developed Property within each Land Use Category identified in Table 1. For Undeveloped Property, Taxable Public Property and Taxable Association Property, “Proportionately” means that the ratio of the amount of Special Tax levied per Acre to the Maximum Special Tax per Acre is the same for all Assessor’s Parcels of Undeveloped Property, Taxable Public Property or Taxable Association Property.

“Public Property” means property owned by or irrevocably offered or dedicated to or for which an easement for purposes of public right of way has been granted to the federal government, the State of California, the County of Riverside, the City or any other local governmental or public agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Residential Floor Area” for any Assessor’s Parcel of Residential Property means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the most recent building permit(s) issued for each Assessor’s Parcel.

“Residential Property” means all Assessor’s Parcels of Developed Property upon which completed Dwelling Units have been constructed or for which building permits have been or may be issued for purposes of constructing one or more Dwelling Units.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within Improvement Area No. 2 to fund the Special Tax Requirement.

“Special Tax Requirement” means the amounts required in any Fiscal Year to: (i) pay debt service on all outstanding Bonds (taking into consideration the amount of funds that may be available pursuant to the Indenture to pay such debt service); (ii) pay periodic costs for the Bonds, including, but not limited to, costs related to credit enhancement and rebate payments; (iii) pay Administrative Expenses; (iv) provide an amount equal to reasonably anticipated delinquencies in the collection of Special Taxes; (v) provide any amount required to replenish the reserve fund for the outstanding Bonds; and (vi) provide any amounts that the Council determines are necessary to pay the costs on the provision, construction and acquisition of public facilities and/or to accumulate funds therefor.

“Taxable Association Property” means all Assessor’s Parcels of Association Property within Improvement Area No. 2 which are not Exempt Property.

“Taxable Property” means all of the Assessor’s Parcels within Improvement Area No. 2 which are not Exempt Property.

“Taxable Public Property” means all Assessor’s Parcels of Public Property within Improvement Area No. 2 which are not Exempt Property.

“Undeveloped Property” means all Taxable Property within Improvement Area No. 2 not classified as Developed Property, Taxable Association Property or Taxable Public Property.

B. CLASSIFICATION AND LAND USE CATEGORIZATION

For each Fiscal Year, all Assessor’s Parcels of Taxable Property within Improvement Area No. 2 shall be classified as Developed Property, Undeveloped Property, Taxable Association Property, or Taxable Public Property and shall be subject to the levy of Special Taxes as determined pursuant to Sections C and D below. Assessor’s Parcels of Developed Property shall be classified as either Residential Property or Non-Residential Property.

For purposes of determining the applicable Assigned Special Tax for Assessor’s Parcels of Developed Property which are classified as Residential Property, all such Assessor’s Parcels shall be assigned to a Land Use Category based upon the square footage of the Residential Floor Area of the Dwelling Unit(s) constructed or to be constructed thereon as specified in or shown on the building permit(s) issued therefor.

C. ASSIGNED AND MAXIMUM SPECIAL TAXES

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the applicable Assigned Special Tax or (ii) the amount of the Backup Special Tax therefor.

a. Assigned Special Tax

The Assigned Special Tax amounts for all Land Use Categories of Developed Property are specified in Table 1 below.

TABLE 1

Assigned Special Taxes for Land Use Categories
of Developed Property

Land Use Category	Taxable Unit	Residential Floor Area (Square Feet of Dwelling Unit)	Assigned Special Tax per DU or Acre
1. Residential Property	DU	1,899 sq. ft. or less	\$2,839 per Unit
2. Residential Property	DU	1,900 to 2,699 sq. ft.	\$3,075 per Unit
3. Residential Property	DU	2,700 to 2,999 sq. ft.	\$3,782 per Unit
4. Residential Property	DU	3,000 to 3,699 sq. ft.	\$3,843 per Unit
5. Residential Property	DU	3,700 to 3,899 sq. ft.	\$4,391 per Unit
6. Residential Property	DU	3,900 sq. ft. or greater	\$4,513 per Unit
7. Non Residential Property	Acre	N/A	\$33,102 per Acre

b. Backup Special Tax

The total amount of the Backup Special Tax for Assessor's Parcels of Taxable Property, exclusive of Assessor's Parcels of Taxable Association Property and Taxable Public Property, in a Final Subdivision shall be determined by multiplying the Acreage of all such Assessor's Parcels of Taxable Property by the Backup Special Tax per Acre. If a Final Subdivision includes both Assessor's Parcels of Residential Property and Assessor's Parcels of Non-Residential Property, the total amount of the Backup Special Tax for such Assessor's Parcels of Residential Property shall be based only on the Acreage of those Assessor's Parcels.

The Backup Special Tax for each Assessor's Parcel of Residential Property in a Final Subdivision shall be determined by dividing the total amount of the Backup Special Tax for all of the Assessor's Parcels of Residential Property in the Final Subdivision, as determined pursuant to the preceding paragraph, by the number of such Assessor's Parcels (*i.e.*, the number of residential lots) within such Final Subdivision.

The Backup Special Tax for each Assessor's Parcel of Non-Residential Property in a Final Subdivision shall be determined by multiplying the Acreage of the Assessor's Parcel by the Backup Special Tax per Acre.

Notwithstanding the foregoing, if Assessor's Parcels of Residential Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, the total amount of the Backup Special Tax shall be recalculated so that the total amount of the Backup Special Tax for such Assessor's Parcels after such change will be equal to the aggregate amount of the Backup Special Tax for such Assessor's Parcels before such change occurred.

2. Undeveloped Property, Taxable Association Property and Taxable Public Property

The Maximum Special Tax for Assessor's Parcels of Undeveloped Property, Taxable Association Property and Taxable Public Property shall be \$33,102 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2007-08 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement and shall levy the Special Tax on all Assessor's Parcels of Taxable Property until the aggregate amount of the Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied for each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on all Assessor's Parcels of Developed Property up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on all Assessor's Parcels of Developed Property whose Maximum Special Tax is its Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on all Assessor's Parcels of Taxable Association Property up to 100% of its Maximum Special Tax;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on all Assessor's Parcels of Taxable Public Property up to 100% of its Maximum Special Tax.

No Special Tax shall be levied on Assessor's Parcels in Improvement Area No. 2 in any Fiscal Year to pay the Special Tax Requirement for Improvement Area No. 1.

No Special Tax shall be levied on Assessor's Parcels of Undeveloped Property in Improvement Area No. 2 to provide any amounts that the Council determines are necessary to pay the costs of the provision, construction and acquisition of public facilities and/or to accumulate funds therefor, as described in Clause (vi) of the definition of Special Tax Requirement.

Notwithstanding the above, under no circumstances will the Special Taxes levied on any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) in any Fiscal Year as a consequence of delinquency or default in the payment of Special Taxes by the owner of any other Assessor's Parcel.

E. EXEMPTIONS

The District Administrator shall classify as Exempt Property Assessor's Parcels within Improvement Area No. 2 of (i) Public Property or (ii) Association Property; provided that such classification within Improvement Area No. 2 shall not reduce the Acreage of all Taxable Property to less than 22.53 Acres. The District Administrator shall not classify an Assessor's Parcel of Public Property or Association Property as Exempt Property if such classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 22.53 Acres. Such Assessor's Parcels that cannot be classified as Exempt Property because such

classification would reduce the Acreage of all Assessor's Parcels of Taxable Property to less than 22.53 Acres will be classified as Taxable Association Property or Taxable Public Property, and will continue to be subject to the Special Tax. The District Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Public Property or Association Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that the City may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

G. TERM OF THE SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding, the Special Tax shall be levied on all Assessor's Parcels of Taxable Property within Improvement Area No. 2. If any delinquent Special Taxes remain uncollected prior to or after all outstanding Bonds are retired, the Special Tax may be levied to the extent necessary, up to the applicable Maximum Special Tax, to make up the deficiency resulting from such delinquent Special Taxes, but not later than the 2047-48 Fiscal Year.

H. PREPAYMENT

As used in this Section H, the terms in quotes have the meanings given to them below:

"CFD Facilities Amount" means the amount of \$7,500,000 expressed in 2006 dollars, which shall increase on January 1, 2008 and on each January 1 thereafter, by the percentage increase in Construction Index since the preceding January 1, or such lesser amount (i) as shall be determined by the District Administrator to be sufficient to provide for the construction and acquisition of all of the public facilities, or (ii) as shall be determined by the Council at the time of the adoption of a covenant that the District will not issue any additional bonds.

"Construction Fund" means a fund or account established by the Indenture to hold funds which are to be used to pay costs associated with the construction and acquisition of public facilities for Improvement Area No. 2.

"Construction Index" means the Engineering News-Record Building Cost Index for the City of Los Angeles. If this index ceases to be published, the Construction Index shall be another index which is determined by the District Administrator to be reasonably comparable to such index.

"Future Facilities Costs" means the amount determined by subtracting from the CFD Facilities Amount (i) the amount available in the Construction Fund to pay the costs of the construction and acquisition of public facilities, and (ii) the estimated amount of income that will be earned from the investment of such available amount prior to the date upon which the prepayment is to be made.

"Indenture" means the bond indenture, fiscal agent agreement or resolution pursuant to which the bonds of the District are issued for Improvement Area No. 2 and which establishes a construction or improvement fund into which proceeds of the sale of the bonds are deposited to pay for the construction and acquisition of public facilities for Improvement Area No. 2.

"Outstanding Bonds" means all bonds of the District that are secured by and paid from Special Taxes that are levied on Assessor's Parcels of Taxable Property in Improvement Area No. 2 and that will remain outstanding after the first date following the current Fiscal Year on which interest on or interest on and principal of such bonds will be paid, excluding bonds to be redeemed on a later date with Prepayment

Amounts (as defined below) for other Assessor's Parcels for which the Special Tax Obligation has been prepaid.

"Special Tax Obligation" means the total amount of Special Taxes which could be levied on an Assessor's Parcel in Improvement Area No. 2 based on the Maximum Special Tax for the Assessor's Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued, or an Assessor's Parcel of Taxable Association Property or Taxable Public Property. The Special Tax Obligation for an Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to the Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax Obligation for the Assessor's Parcel shall provide the District Administrator with written notice of the owner's intent to prepay, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit to cover the cost to be incurred by the City and the District in determining the Prepayment Amount for the Assessor's Parcel. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not later than sixty (60) days prior to any redemption date for any bonds which will be redeemed with the Prepayment Amount.

The Prepayment Amount shall be calculated as follows (Except as provided above, capitalized terms have the meanings given below.):

	Bond Redemption Amount
plus	Redemption Premium
plus	Prepaid Facilities Amount
plus	Defeasance Amount
plus	Administration Costs
less	Reserve Fund Credit
equals	Prepayment Amount

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

Paragraph No.:

1. For an Assessor's Parcel of Developed Property, determine the Maximum Special Tax for the prepaying Assessor's Parcel. For an Assessor's Parcel of Undeveloped Property, determine the Maximum Special Tax for the Assessor's Parcel as though it was Developed Property, based on the building permit(s) issued for the Assessor's Parcel. For an Assessor's Parcel of Taxable Association Property or Taxable Public Property, determine the Maximum Special Tax for the Assessor's Parcel.

2. Divide the Maximum Special for the Assessor's Parcel, determined pursuant to paragraph 1, by the total estimated amount of the Maximum Special Taxes that could be levied on all Assessor's Parcels of Developed Property, including the prepaying Assessor's Parcel and excluding any Assessor's Parcels that have previously prepaid the Special Tax Obligation.

3. Multiply the aggregate principal amount of the Outstanding Bonds by the percentage derived pursuant to paragraph 2 to determine the principal amount of the Outstanding Bonds to be redeemed with the Prepayment Amount (the *"Bond Redemption Amount"*).

4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the “*Redemption Premium*”).

5. Determine the Future Facilities Costs.

6. Multiply the Future Facilities Costs by the percentage derived pursuant to paragraph 2 to determine the amount of the Future Facilities Costs to be prepaid (the “*Prepaid Facilities Amount*”).

7. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

8. Determine the unpaid amount of the Special Taxes levied on the Assessor’s Parcel in the current Fiscal Year.

9. Estimate the earnings on the investment of the Prepayment Amount, less the Prepaid Facilities Amount and the Administration Costs (as defined below), from the date of prepayment until the redemption date for the Outstanding Bonds that will be redeemed with the Prepayment Amount (the “*Net Prepayment Amount*”).

10. Add the amounts derived pursuant to paragraphs 7 and 8 and subtract the amount derived pursuant to paragraph 9 to derive the Defeasance Amount (the “*Defeasance Amount*”).

11. Determine the amount that will be needed and will not be paid from a non-refundable deposit by the owner of the prepaying Assessor’s Parcel for paying the costs of (i) determining the Prepayment Amount, (ii) investing the Net Prepayment Amount, (iii) redeeming the Outstanding Bonds, and (iv) recording any notices to evidence the prepayment and satisfaction of the Special Tax Obligation for the Assessor’s Parcel (the “*Administration Costs*”).

12. Determine the amount of the reserve fund credit (the “*Reserve Fund Credit*”) which shall be the lesser of: (a) the amount, if any, by which the “Reserve Requirement” (as defined in the Indenture) will be reduced as a result of the redemption of Outstanding Bonds with the Prepayment Amount (the “Reduced Reserve Requirement”) or (b) the amount (which shall not be less than zero) derived by subtracting the Reduced Reserve Requirement from the amount that will be on deposit in the Reserve Fund for the Outstanding Bonds on the prepayment date.

13. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Prepaid Facilities Amount, the Defeasance Amount and the Administration Costs less the Reserve Fund Credit.

14. Upon receipt of the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Reserve Fund Credit shall be deposited into the appropriate fund established under the Indenture for the redemption of Outstanding Bonds and shall be used to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000 and, to the extent of any portion of the sum thereof that is not so utilized, to pay interest on and principal of Outstanding Bonds. The Prepaid Facilities Amount shall be deposited into the Construction Fund. The Administration Costs shall be retained by the City and used to pay or reimburse such costs.

Upon receipt of the Prepayment Amount for an Assessor’s Parcel, the District Administrator shall cause the appropriate notice to be recorded in compliance with the Act to acknowledge that the Special Tax Obligation for the Assessor’s Parcel has been prepaid and satisfied and to cancel the Special Tax lien securing payment of Special Taxes.

Notwithstanding the foregoing, no Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected buildout of the property in Improvement Area No. 2, as then approved by the City, after the proposed Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$30,000.

2. Partial Prepayment

An owner of not less than fifteen (15) Assessor's Parcels of Developed Property classified as Residential Property may partially prepay the Special Tax Obligation for all such Assessor's Parcels. The owner of an Assessor's Parcel of Undeveloped Property (i) for which a tentative subdivision map that will subdivide the Assessor's Parcel into not less than fifteen (15) Assessor's Parcels has been approved by the City, (ii) that will be classified as Residential Property and (iii) for which a building permit has been issued, may partially prepay the Special Tax Obligation for not less than fifteen (15) of such Assessor's Parcels. The amount of the Partial Prepayment shall be calculated pursuant to Section H.1 as modified by the following formula:

$$PP = P_E \times F$$

These terms have the following meaning:

PP = the Partial Prepayment
P_E = the Prepayment Amount calculated according to Section H.1
F = the percentage by which the owner of the Assessor's Parcels is partially prepaying the Special Tax Obligation.

The owner of such Assessor's Parcels who desires to partially prepay the Special Tax Obligation shall notify the District Administrator of (i) the owner's intent to partially prepay the Special Tax Obligation and, (ii) the percentage by which the Special Tax Obligation for all such Assessor's Parcels will be prepaid, and within fifteen (15) days of receipt of such notice, the District Administrator shall notify such owner of the amount of a non-refundable deposit determined to cover the costs to be incurred by the City and the District in determining the amount of the Partial Prepayment for such Assessor's Parcels. Within thirty (30) days of receipt of such non-refundable deposit, the District Administrator shall notify the owner of the Partial Prepayment amount applicable to each of such Assessor's Parcels. A Partial Prepayment must be paid not later than sixty (60) days prior to the redemption date for any Outstanding Bonds which will be redeemed with the Partial Prepayment.

Upon receipt of a Partial Prepayment of the Special Tax Obligation for any such Assessor's Parcels, the District Administrator shall (i) allocate the amount of the Partial Prepayment pursuant to Paragraph 14 of Section H.1 and (ii) note on the records of the District that there has been a Partial Prepayment of the Special Tax Obligation for such Assessor's Parcels and that the amount of Special Taxes that shall continue to be levied on such Assessor's Parcels pursuant to Section D shall be reduced based on the percentage (1.00 - F) of the remaining Special Tax Obligation for such Assessor's Parcels.

Notwithstanding the foregoing, no Partial Prepayment shall be allowed for any Assessor's Parcel unless the total amount of the Maximum Special Taxes that may be levied on Taxable Property (excluding Assessor's Parcels of Taxable Association Property and Taxable Public Property), both before and after expected buildout of the property in District, as then approved by the City, after the proposed Partial Prepayment would be at least equal to the sum of (i) an amount equal to 110 percent of maximum annual debt service on all Outstanding Bonds, as determined by the District Administrator, a financial advisor or a special

tax consultant, at the option of the District Administrator, plus (ii) Administrative Expenses in the amount of \$30,000.

APPENDIX B
APPRAISAL REPORT

APPENDIX C

SUPPLEMENTAL INFORMATION CONCERNING CITY AND COUNTY OF RIVERSIDE

The Bonds will not be secured by any pledge of ad valorem taxes or City General Fund revenues but will be payable solely from Special Taxes to levied on and collected from the owners of certain taxable land within the District. The information set forth below is included in the Official Statement for background purposes only.

General Description and Background

Incorporated in October 11, 1883, the City of Riverside is a charter city that now functions under a Council/Manager form of government. A seven member City Council is elected by Council ward. The Mayor is elected at large. The City Manager is appointed by the City Council.

Riverside County, which encompasses 7,303 square miles, was organized in 1893 from territory in San Bernardino and San Diego Counties. Located in the southeastern portion of California, Riverside County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 28 incorporated cities in Riverside County.

Riverside County's varying topology includes desert, valley and mountain areas as well as gently rolling terrain. Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, the San Jacinto Mountains and the Cleveland National Forest experience the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions. Riverside County is the site for famous resorts, such as Palm Springs, as well as a leading area for inland water recreation. Nearly 20 lakes in Riverside County are open to the public. The dry summers and moderate to cool winters make it possible to enjoy these and other recreational and cultural facilities on a year-round basis.

Population

The following sets forth the City, the County and the State population estimates as of January 1, for the years 2011 to 2015:

CITY OF RIVERSIDE, RIVERSIDE COUNTY AND STATE OF CALIFORNIA Estimated Population

<i>Year (January 1)</i>	<i>City of Riverside</i>	<i>Riverside County</i>	<i>State of California</i>
2011	306,064	2,205,731	37,427,946
2012	308,797	2,229,467	37,680,593
2013	311,827	2,253,516	38,030,609
2014	314,221	2,280,191	38,357,121
2015	317,307	2,308,441	38,714,725

Source: State of California Department of Finance, Demographic Research Unit. March 2010 Benchmark.

Commerce

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2013 in the City were reported to be \$4,612,948,000, an 8.82% increase over the total taxable sales of \$4,238,975,000 reported during calendar year 2012.

CITY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2010	5,690	\$2,889,292	7,907	\$3,692,302
2011	5,764	3,144,537	8,066	4,019,127
2012	6,196	3,348,220	8,484	4,238,975
2013	5,436	3,580,926	7,673	4,612,948
2014 ⁽²⁾	5,782	2,867,890	8,051	3,737,857

⁽¹⁾ Retail stores data not comparable to prior years.

⁽²⁾ Through the third quarter of 2014.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during calendar year 2013 in the County were reported to be \$30,065,467,000, a 7.01% increase over the total taxable sales of \$28,096,009,000 reported during calendar year 2012.

COUNTY OF RIVERSIDE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in thousands)

	<i>Retail Stores</i>		<i>Total All Outlets</i>	
	<i>Number of Permits</i>	<i>Taxable Transactions</i>	<i>Number of Permits</i>	<i>Taxable Transactions</i>
2010	32,534	\$16,919,500	45,688	\$23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014 ⁽²⁾	34,910	16,609,524	48,453	23,479,455

⁽¹⁾ Retail stores data not comparable to prior years.

⁽²⁾ Through the third quarter of 2014.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Employment and Industry

The City is included in the Riverside-San Bernardino-Ontario labor market area. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 8.2% in 2014, down from 9.8% in 2013. This compares with an unadjusted unemployment rate of 7.5% for California and 6.2% for the nation during the same period. The unemployment rate was 8.2% in Riverside County, and 8.1% in San Bernardino County.

The following table shows the average annual estimated numbers of wage and salary workers by industry. The table does not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

RIVERSIDE-SAN BERNARDINO-ONTARIO METROPOLITAN STATISTICAL AREA (RIVERSIDE COUNTY) Civilian Labor Force, Employment and Unemployment (Annual Averages)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Civilian Labor Force	1,865,800	1,866,200	1,882,900	1,897,000	1,919,900
Civilian Employment	1,610,200	1,623,100	1,665,600	1,710,500	1,763,300
Civilian Unemployment	255,500	243,100	217,300	186,500	156,600
Civilian Unemployment Rate	13.7%	13.0%	11.5%	9.8%	8.2%
 Total Farm	15,000	14,900	15,000	14,500	14,300
Total Nonfarm	1,144,700	1,148,000	1,180,300	1,231,900	1,285,100
Total Private	910,400	920,600	955,700	1,006,700	1,056,400
Goods Producing	145,900	145,200	150,500	158,600	168,500
Natural Resources and Mining	1,000	1,000	1,200	1,200	1,300
Construction	59,700	59,100	62,600	70,000	77,000
Manufacturing	85,200	85,100	86,700	87,300	90,200
Service Providing	998,900	1,002,800	1,029,800	1,073,300	1,116,700
Trade, Transportation and Utilities	270,900	276,500	288,500	300,600	315,000
Wholesale Trade	48,700	49,200	52,200	56,400	59,000
Retail Trade	155,500	158,500	162,400	164,800	168,700
Transportation, Warehousing and Utilities	66,600	68,800	73,900	79,400	87,300
Information	14,000	12,200	11,700	11,500	11,200
Financial Activities	41,000	39,900	40,900	42,200	42,700
Professional and Business	123,600	126,000	127,500	132,400	137,800
Services					
Educational and Health Services	154,100	157,600	167,200	184,500	193,600
Leisure and Hospitality	122,800	124,000	129,400	135,900	144,300
Other Services	38,200	39,100	40,100	41,100	43,200
Government	234,300	227,500	224,600	225,200	228,800
Total, All Industries	<u>1,159,700</u>	<u>1,162,900</u>	<u>1,195,300</u>	<u>1,246,400</u>	<u>1,299,500</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding.

Source: State of California, Employment Development Department, March 2014 Benchmark.

Major Employers

The table below shows the 10 largest employers in the City.

CITY OF RIVERSIDE LARGEST EMPLOYERS (As of June 30, 2014)

<i>Employer</i>	<i>Number of Employees</i>	<i>% of Total City Employment ⁽¹⁾</i>
County of Riverside	11,187	7.6
University of California	7,218	4.9
Riverside Unified School District	3,461	2.4
Kaiser	3,156	2.1
City of Riverside	2,476	1.7
Riverside Community Hospital	1,880	1.3
Riverside County Office of Education	1,765	1.2
Alvord Unified School District	1,445	1.0
Parkview Community Hospital	1,350	0.9
Riverside Community College District	<u>1,061</u>	<u>0.7</u>
Total	34,999	23.8

Source: City of Riverside, Finance Department (as presented in the City's 2014 Comprehensive Annual Financial Report).

The table below shows the 10 largest employers in the County.

LARGEST EMPLOYERS County of Riverside (As of June 30, 2014)

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	19,916	County Government
2.	March Air Reserve Base	8,500	Military Reserve Base
3.	Stater Bros. Markets	6,900	Supermarkets
4.	University of California, Riverside	5,514	University
5.	Kaiser Permanente Riverside Medical Center	5,270	Medical Center
6.	Pechanga Resort & Casino	4,500	Casino & Resort
7.	Corona-Norco Unified School District	4,300	School District
8.	Walmart	4,068	Super Store
9.	Riverside Unified School District	4,000	School District
10.	Hemet Unified School District	3,572	School District

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.

Construction Activity

The following is a five-year summary of the valuation of building permits issued in the City.

CITY OF RIVERSIDE Building Permit Valuations (Valuation in Thousands of Dollars)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Valuation (\$000):					
Residential	\$58,764	\$43,492	\$73,345	\$30,646	\$80,367
Non-residential	<u>87,269</u>	<u>89,925</u>	<u>53,007</u>	<u>115,561</u>	<u>70,046</u>
Total*	\$146,033	\$133,417	\$126,352	\$146,207	\$150,413
Residential Units:					
Single family	107	43	193	70	230
Multiple family	<u>266</u>	<u>236</u>	<u>168</u>	<u>51</u>	<u>85</u>
Total	373	279	361	121	309

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

The following is a five-year summary of the valuation of building permits issued in the County.

COUNTY OF RIVERSIDE Building Permit Valuations (Valuation in Thousands of Dollars)

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Valuation (\$000):					
Residential	\$1,079,637	\$873,411	\$1,079,405	\$1,375,593	\$1,621,751
Non-residential	<u>539,379</u>	<u>559,398</u>	<u>657,596</u>	<u>790,000</u>	<u>814,990</u>
Total*	\$1,619,016	\$1,432,809	\$1,737,001	\$2,165,593	\$2,436,741
Residential Units:					
Single family	4,031	2,659	3,720	4,716	5,007
Multiple family	<u>526</u>	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>
Total	4,557	3,720	4,629	6,143	6,938

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

Education

The City is included within the boundaries of the Riverside Unified School District and the Alvord Unified School District, which also serves the County area southwest of the City. These two districts include 64 elementary and middle schools and high schools. There are also about 48 private or parochial schools for kindergarten through twelfth grade. Higher education is available at four institutions: Riverside Community College, University of California at Riverside, California Baptist University and La Sierra University at Riverside. Also located in the City are the California School for the Deaf and the Sherman Indian High School, a federally-run school for Native Americans.

Transportation

The City is served by a variety of land and air transportation facilities. Light rail commuter service is provided by Metrolink to Los Angeles and Orange Counties. Interstate bus service is available via Greyhound, and local bus service is provided by the Riverside Transit Agency. Most major trucking firms serve the City in addition to numerous local carriers. Overnight delivery can be scheduled to San Francisco, Los Angeles, San Diego and Sacramento.

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

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

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

APPENDIX D

SUMMARY OF FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the Fiscal Agent Agreement (the “Agreement”) not otherwise described in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement (the “Agreement”) for the complete provisions thereof.

DEFINITIONS

Unless the context otherwise requires, the terms defined herein shall, for all purposes of the Agreement, of any Supplemental Agreement, and of any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to the Agreement as a whole and not to any particular Article, Section or subdivision hereof.

[TO COME]

APPENDIX E

FORMS OF CONTINUING DISCLOSURE CERTIFICATE OF THE CITY AND CONTINUING DISCLOSURE AGREEMENT OF RICHMOND AMERICAN

CONTINUING DISCLOSURE CERTIFICATE OF THE CITY

This Continuing Disclosure Certificate dated _____, 2016 (the “Disclosure Certificate”) is executed and delivered by the City of Riverside (the “Issuer”), on behalf of Community Facilities District No. 2006-1 (Riverwalk Vista) (the “District”), in connection with the issuance and delivery by the Issuer of its Special Tax Bonds (Improvement Area No. 2), Series 2016A, and Taxable Special Tax Bonds (Improvement Area No. 2), Series 2016B (collectively, the “Bonds”). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of _____ 1, 2016 (the “Fiscal Agent Agreement”) by and between the Issuer and U.S. Bank National Association, as fiscal agent thereto (the “Fiscal Agent”). The Issuer covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income purposes.

“Disclosure Representative” shall mean the City Manager of the Issuer, the Finance Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer which has filed with the then current Dissemination Agent a written acceptance of such designation.

“District” shall mean the Community Facilities District No. 2006-1 (Riverwalk Vista) established by the Issuer.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Issuer” shall mean the City of Riverside, California

“Listed Events” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Official Statement” means the Official Statement for the Bonds dated _____, 2016.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

“Rate and Method of Apportionment” shall mean the Rate and Method of Apportionment of Special Tax for Improvement Area No. 2 of the Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside attached as Appendix A to the Official Statement, as such Rate and Method of Apportionment may be amended from time to time.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“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 Issuer shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, not later than 270 days after the end of the Issuer’s fiscal year (which currently ends on June 30), commencing with the report for the fiscal year ending June 30, 2016, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The Issuer’s fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The Issuer will promptly notify the Repository of a change in the fiscal year dates.

(b) In the event that the Dissemination Agent is an entity other than the Issuer, then the provisions of this Section 3(b) shall apply. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report, the Issuer shall provide the Annual Report to the Dissemination Agent. If by fifteen (15) Business Days prior to the due date for an Annual Report the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer will be filing the Annual Report in compliance with subsection (a). The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Issuer and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is other than the Issuer and if the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the Repository, in the form required by the Repository.

- (d) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall:
 - (i) determine each year prior to the date for providing the Annual Report the name and address of the Repository if other than the MSRB; and
 - (ii) promptly after receipt of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided to the Repository and the date it was provided.
- (e) Notwithstanding any other provision of this Disclosure Certificate, all filings shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Reports.

(a) The Annual Report shall consist of the financial statements described in (b) below and the financial and operating data described in (c) below.

(b) Financial Statements. The audited financial statements of the Issuer for the most recent fiscal year then ended shall be provided in the Annual Report. If the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the Issuer in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by State law and shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide the information referenced in Section 8(d) below.

(c) Financial and Operating Data. In addition to the financial statements, the Annual Report shall contain or incorporate by reference the following information:

- (i) the principal amount of Bonds outstanding as of the September 2 preceding the filing of the Annual Report;
- (ii) the balance in each fund under the Fiscal Agent Agreement as of the September 2 preceding the filing of the Annual Report;
- (iii) any changes to the Rate and Method of Apportionment approved or submitted to the electors for approval prior to the filing of the Annual Report;
- (iv) the status of any foreclosure actions being pursued by the District with respect to delinquent Special Taxes levied on parcels therein;
- (v) the identity of any property owner whose delinquent special taxes represent more than 5% of the amount levied and the number of lots, assessed value, delinquency amount value-to-lien ratios, prior delinquencies and foreclosure status of the applicable properties;
- (vi) an update of the value-to-lien information in Table 4 calculated using the assessed property values applicable for the next succeeding fiscal year;
- (vii) information regarding the percentage of delinquency, if any, in the collection of special taxes levied on property in Improvement Area No. 2 for the Fiscal Year preceding the Annual Report

date in the form set forth in Table 5, the number of parcels delinquent, amount delinquent compared to the total levy and the assessed value of each delinquent parcel; and

(viii) any information not already included under (i) through (vii) above that the Issuer is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

In addition to any of the information expressly required to be provided under paragraphs (a) or (b) of this Section, the Issuer shall provide such further information, if any, as may be necessary to make the specifically required statements set forth in clauses (i) to (vii), in the light of the circumstances under which they were made, not misleading.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to the Repository. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause the Dissemination Agent to give, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; 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 Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in paragraph 5(a)(5) above, notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. the consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
3. appointment of a successor or additional trustee or the change of the name of a trustee;
4. nonpayment related defaults;
5. modifications to the rights of Owners of the Bonds;
6. bond calls; and
7. release, substitution or sale of property securing repayment of the Bonds.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event under Section 5(b) above, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Issuer shall file a notice of such occurrence with the Repository in a timely manner not more than 10 business days after the event.

(e) The Issuer hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Issuer and that the Dissemination Agent shall not be responsible for determining whether the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The obligations of the Issuer and the Dissemination Agent under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Issuer. The Dissemination Agent may resign by providing (i) thirty days written notice to the Issuer, and (ii) upon appointment of a new Dissemination Agent hereunder.

SECTION 8. Amendment.

(a) This Disclosure Certificate may be amended, by written agreement of the parties, without the consent of the Owners, if all of the following conditions are satisfied: (i) such amendment is made in

connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby; (ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; (iii) the Issuer shall have delivered to the Dissemination Agent an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the same effect as set forth in clause (ii) above; (iv) the Issuer shall have delivered to the Dissemination Agent an opinion of nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Issuer, to the effect that the amendment does not materially impair the interests of the Owners or Beneficial Owners; and (v) the Issuer shall have delivered copies of such opinion and amendment to the Repository.

(b) This Disclosure Certificate also may be amended by written agreement of the parties upon obtaining consent of Owners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of the Owners of the Bonds; provided that the conditions set forth in Section 8(a)(i), (ii), (iii) and (v) have been satisfied.

(c) To the extent any amendment to this Disclosure Certificate results in a change in the type of financial information or operating data provided pursuant to this Disclosure Certificate, the first Annual Report provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made to the basis on which financial statements are prepared, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a quantitative and, to the extent reasonably feasible, qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate 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 Issuer or the Dissemination Agent to comply with any provision of this Disclosure Certificate, 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 Issuer and/or the Dissemination Agent to comply with their respective obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. Where an entity other than the Issuer is acting as the Dissemination Agent, the Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of

liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. Any Dissemination Agent other than the Issuer shall be paid (i) compensation by the Issuer for its services provided hereunder in accordance with a schedule of fees to be mutually agreed to; and (ii) all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer pursuant to this Disclosure Certificate. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach under this Disclosure Certificate.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Notices. Notices with respect to this Disclosure Certificate should be sent in writing to:

Disclosure Representative: City of Riverside
92522 Main Street
Riverside, California 92522
Attention: Finance Director

IN WITNESS WHEREOF, this Certificate is executed as of the date and year first set forth above.

CITY OF RIVERSIDE on behalf of COMMUNITY
FACILITIES DISTRICT NO. 2006-1 (RIVERWALK
VISTA)

By: _____
Disclosure Representative

CONTINUING DISCLOSURE AGREEMENT OF RICHMOND AMERICAN

This Continuing Disclosure Agreement (the “Disclosure Agreement”) dated as of _____ 1, 2016 is by and between Richmond American Homes of Maryland, Inc. (the “Developer”) and Albert A. Webb Associates, in connection with the execution and delivery by the City of Riverside of its Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Special Tax Bonds (Improvement Area No. 2), Series 2016A, and Taxable Special Tax Bonds (Improvement Area No. 2), Series 2016B (collectively, the “Bonds”). The Bonds are being executed and delivered pursuant to a Fiscal Agent Agreement by and between the City, for and on behalf of the City of Riverside of its Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the “District”), and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”), dated as of _____ 1, 2016, (the “Fiscal Agent Agreement”). The Developer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Developer for the benefit of the Bondowners and Beneficial Owners and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). Pursuant to this Disclosure Agreement, the Developer agrees to provide the information required to be provided by this Disclosure Agreement. This Disclosure Agreement does not address additional undertakings, if any, by or with respect to persons other than the Developer who may be considered obligated persons or purposes of the Rule, which additional undertakings, if any, may be required for the Participating Underwriter to comply with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to any Person, (a) each Person that, directly or indirectly, owns or controls, whether beneficially or as an agent, guardian or other fiduciary, twenty-five percent (25%) or more of any class of Equity Securities of such Person, (b) each Person that controls, is controlled by or is under common control with such Person or any Affiliate of such Person or (c) each of such Person’s executive officers, directors, joint venturers and general partners; provided, however, that in no case shall the District be deemed to be an Affiliate of the Developer for purposes of this Disclosure Agreement. For the purpose of this definition, “control” of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

“Annual Report” shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Vice President, Project Development or his designee acting on behalf of the Developer, or such other officer or employee as the Developer.

“Dissemination Agent” shall mean, initially, Albert A. Webb Associates.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Equity Securities” of any Person shall mean (a) all common stock, preferred stock, participations, shares, general partnership interests or other equity interests in and of such person (regardless of how

designated and whether or not voting or non-voting) and (b) all warrants, options and other rights to acquire any of the foregoing.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30.

“Government Authority” shall mean any national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

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

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the Official Statement, dated _____, 2016, relating to the Bonds.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds, which is Stifel Nicolaus & Company, Incorporated, whose address for purposes of this Disclosure Agreement is One Montgomery Street, 35th Floor, San Francisco, California 94104.

“Person” shall mean any natural person, corporation, partnership, firm, association, Government Authority or any other Person whether acting in an individual fiduciary, or other capacity.

“Repository” shall mean the MSRB or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Unless otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“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.

“Semiannual Report” shall mean any report to be provided by the Developer on or prior to October 1 of each year pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, or the Developer shall cause the Dissemination Agent to, not later than April 1 of each year, commencing April 1, 2017, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, April 1 falls on a Saturday, Sunday or a holiday on which the Fiscal Agent’s offices are closed for business, such deadline shall be extended to the next following day on which the Fiscal Agent’s offices are open for business. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement, provided that the audited financial statements, if any, of the Developer may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. In addition, the Developer shall, or the Developer shall cause the Dissemination Agent to, not later than October 1 of each year, commencing October 1, 2016, provide to the Repository a Semiannual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. If, in any year, October 1

falls on a Saturday, Sunday or a holiday on which the Fiscal Agent's offices are closed for business, such deadline shall be extended to the next following day on which the Fiscal Agent's offices are open for business.

(b) If an Annual Report or Semiannual Report is not provided to the Repository by the date required in subsection (a), the Dissemination Agent shall send a notice in a timely manner to the Repository in the form required by the Repository.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report and the Semiannual Report the name and address of the Repository; and

(ii) promptly after filing the Annual Report or Semiannual Report, provide notice the District certifying that the Annual Report or the Semiannual Report, as applicable, has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repository.

(d) Notwithstanding any other provision of this Disclosure Agreement, any of the required filings hereunder shall be made in accordance with the MSRB's EMMA system or in another manner approved under the Rule.

SECTION 4. Content of Annual Report and Semiannual Report.

(a) The Developer's Annual Report and Semiannual Report shall contain or include by reference the information which is available thirty (30) days prior to the filing of the Annual Report or the Semiannual Report, as applicable, relating to the following:

1. An update to the parts of the section in the Official Statement entitled "IMPROVEMENT AREA NO. 2 — Richmond American" corresponding to the Developer, including an update of the tables therein setting forth the number of homes owned by individual owners, and a discussion of the sources of funds to finance development of property owned by the Developer and its Affiliates within Improvement Area No. 2, and whether any material defaults exist under any loan arrangement related to such financing.

2. A summary of development activity within Improvement Area No. 2, including the number of parcels for which building permits have been issued, the number of home closings, the number of homes under construction, and the expected build out of the property.

3. Status of completion of the development being undertaken by the Developer and its Affiliates and any major legislative, administrative and judicial challenges known to the Developer to or affecting the construction of the development or the time for construction of any public or private improvements to be made by the Developer or any Affiliate within Improvement Area No. 2 other than the public improvements described in (5) below (the "Developer Improvements").

4. Any significant amendments to land use entitlements with respect to parcels owned by the Developer or its Affiliates within Improvement Area No. 2, or that are otherwise known to the Developer, including an update of the total acres subject to the levy of Special Taxes if the amendment affects the total number of acres subject to the levy of the Special Taxes.

5. Status of Special Tax payments on all parcels owned by the Developer and its Affiliates.

6. In the Annual Report only, the audited financial statements of the Developer for its most recently completed fiscal year (which currently ends on each December 31), prepared in

accordance with generally accepted accounting principles as promulgated to apply to private entities from time to time by the Financial Accounting Standards Board. If the Developer has audited financial statements prepared and the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements for the preceding year, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Any and all of the items listed above may be included by specific reference to other documents, including official statements of debt issues which have been submitted to the Repository 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 Developer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Developer shall, or the Developer shall cause the Dissemination Agent to, give notice of the occurrence of any of the following events with respect to the Bonds, if material under clauses (b) and (c) as soon as practicable after the occurrence of any of the following events:

1. Failure to pay any real property taxes, special taxes or assessments levied within the District on a parcel owned by the Developer or any Affiliate;
2. Damage to or destruction of any of the Developer Improvements or the District Improvements which has a material adverse effect on the value of the parcels owned by the Developer or any Affiliate;
3. Material default by the Developer or any Affiliate on any loan with respect to the construction or permanent financing of the Developer Improvements;
4. Material default by the Developer or any Affiliate on any loan secured by property within the District owned by the Developer or any Affiliate;
5. Payment default by the Developer or any Affiliate on any loan of the Developer or any Affiliate (whether or not such loan is secured by property within the District) which is beyond any applicable cure period in such loan;
6. The filing of any proceedings with respect to the Developer or any Affiliate, in which the Developer or any Affiliate, may be adjudicated as bankrupt or discharged from any or all of their respective debts or obligations or granted an extension of time to pay debts or a reorganization or readjustment of debts; and
7. The filing of any lawsuit against the Developer or any of its Affiliates which, in the reasonable judgment of the Developer, will adversely affect the completion of the District Improvements, the Developer Improvements or the development of parcels owned by the Developer or its Affiliates within the District, or litigation which if decided against the Developer, or any of its Affiliates, in the reasonable judgment of the Developer, would materially adversely affect the financial condition of the Developer or its Affiliates.

(b) Whenever the Developer obtains knowledge of the occurrence of a Listed Event, the Developer shall as soon as possible determine if such event would be material under applicable federal

securities laws. The Fiscal Agent shall have no responsibility to determine the materiality of any of the Listed Events.

(c) If the Developer determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Developer shall, or shall cause the Dissemination Agent to, promptly file a notice of such occurrence with the Repository, with a copy to the District.

SECTION 6. Termination of Reporting Obligation. The obligations of the Developer and the Dissemination Agent under this Disclosure Agreement shall terminate upon the following events:

- (a) the legal defeasance, prior redemption or payment in full of all of the Bonds,
- (b) if, at any time, the Developer and its Affiliates own property within the District which is responsible for less than twenty percent (20%) of the Special Taxes levied in the current Fiscal Year, or
- (c) upon the delivery by the Developer to the District of an opinion of nationally recognized bond counsel to the effect that the information required by this Disclosure Agreement is no longer required. Such opinion shall be based on information publicly provided by the Securities and Exchange Commission or a private letter ruling obtained by the Developer or a private letter ruling obtained by a similar entity to the Developer. If such termination occurs prior to the final maturity of the Bonds, the Developer shall, or shall cause the Dissemination Agent to, give notice of such termination in the same manner as for an Annual Report or Semiannual Report hereunder.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Developer and the Dissemination Agent by written mutual consent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
- (b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel addressed to the District, the Fiscal Agent and the Participating Underwriter, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;
- (c) The amendment or waiver either (i) is approved by the Bondowners in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel addressed to the District and the Fiscal Agent, materially impair the interests of the Bondowners or Beneficial Owners of the Bonds; and
- (d) The Developer shall have delivered copies of the amendment and any opinions delivered under (b) and (c) above.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, such amendment shall be described in the next Annual Report or Semiannual Report, and such description shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Developer. In addition, if the amendment relates to the accounting

principles to be followed in preparing financial statements, (i) notice of such change shall be given to the Repository, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison of financial data described in clause (ii) of the preceding sentence shall be provided at the time financial statements, if any, are filed under Section 4(a)(8) hereof.

SECTION 8. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Developer 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, Semiannual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Developer chooses to include any information in any Annual Report, Semiannual Report, or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Developer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Semiannual Report, or notice of occurrence of a Listed Event.

The Developer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Developer, and that under some circumstances compliance with this Disclosure Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Developer under such laws.

SECTION 9. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Bondowner 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 Developer 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 Developer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Reporting Obligation of Developer's Transferees; Covenant Running With Land. The Developer shall, in connection with any sale or transfer of ownership of land within the District which will result in the transferee (which term shall include any successors and assigns of the Developer) becoming responsible (i) for the payment of more than 20 percent of the Special Taxes levied on property within the District in the Fiscal Year following such transfer, cause such transferee to enter into a disclosure agreement with terms substantially similar to the terms of this Disclosure Agreement, whereby such transferee agrees to be bound by the obligations of the Developer under this Disclosure Agreement as an additional obligated party. The Developer agrees that its obligations pursuant to this Disclosure Agreement shall be a covenant running with the land owned by the Developer within Improvement Area No. 3 of the District such that its obligations pursuant to this Disclosure Agreement shall be binding upon all such transferees described above as though the obligations of the Developer and such transferees were expressly set forth in the grant deeds whereby such transferees obtain title to or an estate in such land from the Developer as provided in Sections 1460 through 1470 of the Civil Code of the State of California. Notwithstanding the foregoing, this Section shall not apply to sales to homeowners.

SECTION 11. Developer as Independent Contractor. In performing under this Disclosure Agreement, it is understood that the Developer is an independent contractor and not an agent of the District.

SECTION 12. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Developer: Richmond American Homes of Maryland, Inc.

Dissemination Agent: Albert A. Webb Associates
3788 McCray Street
Riverside, CA 92506

Fiscal Agent: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, CA 90071
Attn: Corporate Trust Services

Participating Underwriter: Stifel Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attn: Municipal Bond Division

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Developer, the Dissemination Agent, the District, the Fiscal Agent, the Participating Underwriter and Bondowners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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.

RICHMOND AMERICAN HOMES OF MARYLAND,
INC.

By: _____

Its: _____

ALBERT A. WEBB ASSOCIATES, as Dissemination
Agent

By: _____

Its: _____

APPENDIX F

PROPOSED FORM OF BOND COUNSEL OPINIONS

[Closing Date]

City of Riverside
3900 Main Street
Riverside, CA 92522

Re: \$_____ Community Facilities District No. 2006-1 (Riverwalk Vista) of the
City of Riverside Special Tax Bonds (Improvement Area No. 2), Series 2016A

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the City of Riverside (the “City”) and Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the “District”) in connection with the issuance by the by the District of \$_____ Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Special Tax Bonds (Improvement Area No. 2), Series 2016A (the “Bonds”), pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”), a resolution adopted by the City on February 23, 2016 (the “Resolution”), and a Fiscal Agent Agreement, dated as of March 1, 2016 (the “Fiscal Agent Agreement”) by and between the City and U.S. Bank National Association, as fiscal agent (the “Fiscal Agent”).

In such connection, we have reviewed the Fiscal Agent Agreement, the tax certificate of the City for the Bonds dated the date hereof (the “Tax Certificate”), certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and their subordinate entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in

the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The District is a community facilities district duly organized and validly existing under the laws of the State of California, with power to enter into the Fiscal Agent Agreement, to perform the agreements on its part contained therein and to issue the Bonds;

2. The Bonds constitute the valid and legally binding special obligations of the District enforceable in accordance with their terms and payable solely from the sources provided therefor in the Fiscal Agent Agreement;

3. The Fiscal Agent Agreement has been duly approved by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium, transfer or conveyance, or other laws affecting creditor's rights generally, or the exercise of judicial discretion in accordance with general principals of equity or otherwise in appropriate cases; provided, however, we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein;

4. The Fiscal Agent Agreement establishes a lien on and pledge of the Special Tax Revenues (as such term is defined in the Fiscal Agent Agreement) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Fiscal Agent Agreement;

5. Interest on the Bonds is exempt from California personal income taxation; and

6. Under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax provisions of the Code; it should be further noted, however, that, with respect to corporations, such interest will be included in adjusted current earnings when calculating corporate alternative minimum taxable income. Although the interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds, or any portion thereof, may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our opinions, expressed herein, may be affected by action taken (or not taken) on events occurring (or not occurring) 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.

Respectfully submitted,

[Closing Date]

City of Riverside
3900 Main Street
Riverside, CA 92522

Re: \$_____ Community Facilities District No. 2006-1 (Riverwalk Vista) of the
City of Riverside Taxable Special Tax Bonds (Improvement Area No. 2), Series
2016B

Ladies and Gentlemen:

We have reviewed the Constitution and laws of the State of California and certain proceedings taken by the City of Riverside (the "City") and Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside (the "District") in connection with the issuance by the by the District of \$_____ Community Facilities District No. 2006-1 (Riverwalk Vista) of the City of Riverside Taxable Special Tax Bonds (Improvement Area No. 2), Series 2016B (the "Bonds"), pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the City on February 23, 2016 (the "Resolution"), and a Fiscal Agent Agreement, dated as of March 1, 2016 (the "Fiscal Agent Agreement") by and between the City and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

In such connection, we have reviewed the Fiscal Agent Agreement, certificates of the City and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other events come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Fiscal Agent Agreement. We call attention to the fact that the rights and obligations under the Bonds and the Fiscal Agent Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities and their subordinate entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents mentioned in the preceding sentence. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and express no opinion with respect thereto.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The District is a community facilities district duly organized and validly existing under the laws of the State of California, with power to enter into the Fiscal Agent Agreement, to perform the agreements on its part contained therein and to issue the Bonds;

2. The Bonds constitute the valid and legally binding special obligations of the District enforceable in accordance with their terms and payable solely from the sources provided therefor in the Fiscal Agent Agreement;

3. The Fiscal Agent Agreement has been duly approved by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, moratorium, transfer or conveyance, or other laws affecting creditor's rights generally, or the exercise of judicial discretion in accordance with general principals of equity or otherwise in appropriate cases; provided, however, we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein;

4. The Fiscal Agent Agreement establishes a lien on and pledge of the Special Tax Revenues (as such term is defined in the Fiscal Agent Agreement) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Fiscal Agent Agreement;

5. Interest on the Bonds is exempt from California personal income taxation.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform you that any U.S. federal tax advice contained herein is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Our opinions, expressed herein, may be affected by action taken (or not taken) on events occurring (or not occurring) 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.

Respectfully submitted,

APPENDIX G

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds 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 affect 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 prepayments, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.