

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RIVERSIDE APPROVING AN AGREEMENT REGARDING THE PAYMENT OF DEVELOPMENT FEES FOR CERTAIN PARCELS TO BE REMOVED FROM COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH), AND ORDERING THE RECORDING OF A NOTICE OF CANCELLATION OF THE SPECIAL TAX LIEN FOR SAID PARCELS

WHEREAS, the City Council (the “City Council”) of the City of Riverside (the “City”) previously conducted and completed proceedings pursuant to Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982,” (the “Act”) for the formation of Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (the “Community Facilities District”), and the Community Facilities District has been established; and

WHEREAS, following the formation of the Community Facilities District, a Notice of Special Tax Lien to secure the levy of special taxes on all non-exempt real property within the Community Facilities was recorded on December 4, 2013, as Document No. 2013-0565395 in the office of the County Recorder of the County of Riverside (the “Special Tax Lien”); and

WHEREAS, MPLC Kunny Ranch, LLC (the “Original Owner”), the original owner of the property within the Community Facilities District, and CPRE Riverside 8, LLC (the “New Owner” collectively with the Original Owner, the “Owner”), the purchaser of the Parcels as defined below, within the Community Facilities District desire to cancel the special tax lien on eight (8) parcels located within Tract No. 33029-1 which have not yet developed (the “Parcels”); and

WHEREAS, the City and the Original Owner previously entered into that certain Funding Agreement dated October 1, 2013 (the “Funding Agreement”) to set forth the terms and conditions of financing certain public improvements through the levy of special taxes within the Community Facilities District and the issuance of bonds therein; and

WHEREAS, the City and the Original Owner desire to amend and restate the Funding Agreement to reflect certain changes to the Funding Agreement negotiated in connection with the removal of the Parcels (the “Amended and Restated Funding Agreement”); and

WHEREAS, pursuant to the Act, the legislative body of a community facilities district may provide for the recordation of a notice of cancellation of a special tax lien; and

WHEREAS, there has been presented to the City Council a form of notice of cancellation of special tax lien that provides for the cancellation of the Special Tax Lien (the “Notice of Cancellation”), as set forth in Exhibit 1 attached hereto, on the Parcels; and

WHEREAS, the City is amenable to recording Notice of Cancellation so long as the Owner agrees to enter into an agreement (the "Agreement") to pay certain development fees of the City and the Riverside Unified School District in satisfaction of its requirement to pay special taxes the form of which is presented in Exhibit 2 attached hereto; and

WHEREAS, the City is amenable to entering into the Amended and Restated Funding Agreement in the form which is presented in Exhibit 3 attached hereto; and

WHEREAS, the City Council has determined that upon entry by the Owner into the Agreement all obligations under said Special Tax Lien should be cancelled with respect to the Parcels of the Community Facilities District as specified in the Notice of Cancellation, and that the Notice of Cancellation should therefore be recorded with respect to such Parcels.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF RIVERSIDE AS FOLLOWS:

1. The findings contained in the preamble to this resolution are true and correct.
2. The forms of the Notice of Cancellation, Agreement and Amended and Restated Funding Agreement are approved.
3. The City Manager and/or his designee are hereby authorized to take any and all action which is directed by the City Attorney with respect to the finalization, delivery and execution of the Notice of Cancellation and the Agreement.
4. Upon determination by the City Attorney that all requisite conditions have been satisfied, the City Clerk of the City shall cause the Notice of Cancellation to be recorded in the official records in the office of the County Recorder of the County of Riverside.

ADOPTED by the City Council this ____ day of July, 2018.

WILLIAM R. BAILEY, III
Mayor of the City of Riverside

ATTEST:

COLLEEN J. NICOL
City Clerk of the City of Riverside

CERTIFICATION

I, Colleen J. Nicol, City Clerk of the City of Riverside certify that the foregoing resolution was adopted by the City Council of the City of Riverside at a regular meeting held on the 5th day of June, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Riverside this ____ day of _____, 2018.

COLLEEN J. NICOL
City Clerk of the City of Riverside

EXHIBIT 1

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Best Best & Krieger LLP
Attention: Mrunal Shah, Esq.
3390 University Avenue, 5th Floor
Riverside, CA 92501

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

**NOTICE OF CANCELLATION
OF SPECIAL TAX LIEN**

The CITY OF RIVERSIDE, a municipal corporation (“City”), under the authority of Mello-Roos Community Facilities Act of 2002, as amended, commencing with Section 53311 of the California Government Code created a special tax lien on certain real property located within the City of Riverside, County of Riverside, described in the Notice of Special Tax Lien recorded December 4, 2013, Recorded Number 2013-0565395 of the Official Records, County of Riverside Recorder’s Office, also described in Exhibit “A” attached hereto. The City hereby acknowledges that all obligations under said Lien relating to the property described in Exhibit A attached hereto have been fully satisfied and no other obligations are outstanding.

CITY OF RIVERSIDE

By: _____
Al Zelinka, City Manager

EXHIBIT A

DESCRIPTION OF THE PROPERTY

PARCELS

<u>Property Owner</u>	<u>Assessor's Parcel No.</u>
CPRE Riverside 8, LLC	242-300-011
	242-300-012
	242-300-013
	242-300-014
	242-300-015
	242-300-016
	242-300-017
	242-300-018

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT 2

AGREEMENT REGARDING PAYMENT OF CERTAIN DEVELOPMENT FEES AND CANCELLATION OF SPECIAL TAX LIEN

THIS AGREEMENT is entered into as of July 1, 2018, by and between the City of Riverside (the “City”) MPLC Kunny Ranch LLC (the “Original Owner”), the original owner of property located within Community Facilities District No. 2013-1 (Kunny Ranch) of the City of Riverside (the “Community Facilities District”); and CPRE Riverside 8, LLC (the “New Owner,” collectively with the Original Owner, the “Owners” or each an “Owner”), the purchaser of the Parcels defined below.

RECITALS

A. The City Council (the “City Council”) of the City of Riverside (the “City”) previously conducted and completed proceedings pursuant to Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982,” (the “Act”) to form the Community Facilities District.

B. Following the formation of the Community Facilities District a Notice of Special Tax Lien to secure the levy of special taxes on all non-exempt real property within the Community Facilities was recorded on December 4, 2013, as Document No. 2013-0565395 in the office of the County Recorder of the County of Riverside (the “Special Tax Lien”).

C. The Owners desire to cancel the special tax lien on eight (8) parcels within the Community Facilities District located within Tract No. 33029-1 as identified on Exhibit A hereto (the “Parcels” or individually, a “Parcel”).

D. The City is amenable to the recordation of a notice of cancellation of the Special Tax Lien upon the terms and conditions set forth in this Agreement.

AGREEMENT

1. **Recitals.** The recitals stated above are true and correct.

2. **Payment of Fees.** Each Owner hereby agrees and acknowledges that (a) the cancellation of the notice of Special Tax Lien does not relieve the New Owner, or its successors in interest and assigns, of its obligations for the payment of applicable development impact fees of the City and Riverside Unified School District (the “School District”) and that upon recordation of a notice to cancel the Special Tax Lien on the Parcels, the New Owner, or its successors in interest or assigns shall be responsible for the payment of all applicable fees of the City that may be in effect at the time a building permit is pulled for any Parcel. Additionally, the

Owners hereby agrees and acknowledges that the New Owner, or its successors in interest or assigns, shall pay the applicable statutory school fees to the School District that may be in effect at the time a building permit is pulled for any Parcel.

1. 3. **Governing Law/Venue.** This Agreement shall be governed by the laws of the State of California. Venue shall be in Riverside County.

2. 4. **Time of Essence.** Time is of the essence for each and every provision of this Agreement.

3. 5. **Successors and Assigns.** This Agreement shall be binding on the successors and assigns of the Owner and the City.

4. 6. **Amendment; Modification.** No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing and signed by both parties.

CITY OF RIVERSIDE:

By: _____
Its: _____

MPLC KUNNY RANCH, LLC

By: _____
Its: _____

CPRE RIVERSIDE 8, LLC

By: _____
Its: _____

EXHIBIT A

DESCRIPTION OF THE PROPERTY

PARCELS

<u>Property Owner</u>	<u>Assessor's Parcel No.</u>
CPRE Riverside 8, LLC	242-300-011
	242-300-012
	242-300-013
	242-300-014
	242-300-015
	242-300-016
	242-300-017
	242-300-018

EXHIBIT 3

**AMENDED AND RESTATED
FUNDING AGREEMENT**

**Relating to
CITY OF RIVERSIDE**

**COMMUNITY FACILITIES DISTRICT NO. 2013-1
(KUNNY RANCH)**

Between

THE CITY OF RIVERSIDE

and

MPLC KUNNY RANCH, LLC

July 1, 2018

FUNDING AGREEMENT

COMMUNITY FACILITIES DISTRICT NO. 2013-1 (KUNNY RANCH)

This AMENDED AND RESTATED FUNDING AGREEMENT (the “Agreement”) is entered into the 1st day of July, 2018 by and between the CITY OF RIVERSIDE, a charter city and municipal organization organized and operating under the laws of the State of California (the “City”), and MPLC KUNNY RANCH, LLC, a Delaware limited liability company (“Owner”).

RECITALS

A. Owner owns that certain real property located on approximately 100 gross acres of land including Tentative Tract 33029 and Lots 3 through 11 of Final Tract Map 33029-1 (the “Property”) located in the City, commonly known as “Kunny Ranch.”

B. The City, previously established Community Facilities District No. 2013-1 (Kunny Ranch) pursuant to the provisions of Chapter 2.5 (commencing with § 53311) of Part 1 of Division 2 of Title 5 of the Government Code, commonly known as the “Mello-Ross Community Facilities Act of 1982” (the “Act”), over and including the Property for the purpose of selling bonds, in one or more series (the “Bonds”), in an amount sufficient to finance the acquisition of land and improvements thereon for public use, and the design, planning, engineering, installation, and construction of certain public facilities and improvements, to be owned, operated or maintained by (i) the City (the “City Facilities”) to satisfy the obligation of the Property and the Owner for the payment of certain fees to the City, and (ii) Riverside Unified School District (the “School District”) (the “School Facilities” and together with the City Facilities, the “Public Facilities”) to satisfy the obligation of the Property and the Owner for the payment of school mitigation fees to the School District. The Public Facilities are generally described in Exhibit A attached hereto, which Public Facilities are necessary to the development of the Property. Said community facilities district shall be known as the “City of Riverside Community Facilities District No. 2013-1 (Kunny Ranch)” (the “District”).

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

D. The City and the Owner previously entered into that certain Funding Agreement dated October 1, 2013 (the “Original Agreement”) which to provide for the levy of special taxes (the “Special Taxes”) and the issuance and sale of the Bonds of the District secured by the Special Taxes to finance the acquisition of public land and public improvements, and the design, planning, engineering, financing, installation, and construction of the Public Facilities and expenses incidental thereto.

E. The City and the Owner now desire to amend and restate the Original Agreement to remove the City Facilities Annual Payment and allow the City to issue bonded

indebtedness secured by the Special Taxes on a taxable basis. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in Exhibit B attached hereto and by this reference herein incorporated.

AGREEMENTS

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

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

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

Section 2. Payment of City Impact Fees as Deposit. Owner shall timely pay in full all City impact fees which are chargeable upon issuance of a building permit. Any payment of City impact fees before proceeds of the Bonds become available shall be held on deposit by the City in a separate account used exclusively for City impact fees (the "Deposit Account"), and shall not be expended by the City, provided, however, earnings on the investment of funds in the Deposit Account shall be returned to the City.

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

Section 3. Sale of Bonds. Upon Owner's written request, the City shall use its reasonable best efforts, as hereinafter provided, to issue and sell Bonds, in one or more series, in accordance with the provisions of this Agreement and the Financing District Policy. Each series of Bonds is expected to have a debt service amortization schedule matching the annual Special Taxes available for debt service pursuant to the Rate and Method and for a term of not less than thirty years nor more than thirty-three (33) years, for the purpose of raising an amount sufficient

to pay for the acquisition of lands for public use and public improvements, and the design, planning, engineering, construction management, and financing, and the installation and construction or acquisition of the Public Facilities. In connection with the issuance of the first series of Bonds, the City on behalf of itself and the District shall establish criteria for the issuance of Additional Bonds which meet the criteria of the Financing District Policy. The timing of the issuance and sale of each series of Bonds, the aggregate principal amount thereof, and the terms and conditions upon which they shall be sold shall be as set forth in this Agreement and otherwise as determined by the City in its sole reasonable discretion after consultation with Owner. Not by way of limitation of the foregoing, the timing of the issuance and sale of the first series of Bonds and any Additional Bonds shall be as soon as reasonably practicable, as determined by the City in its sole reasonable discretion following consultation with its financial advisor, underwriter and other consultants and counsel after written request from Owner. Owner shall use its reasonable best efforts to cooperate with City in connection with any Bond sale.

Additionally, the Owner may request any such series of bonds be issued on taxable basis to finance the City Facilities Annual Payment. Owner acknowledges that following the issuance of such bonds, provisions in the Rate and Method which allow individual property owners to prepay may no longer be applicable and as such prohibit property owner from prepaying special taxes.

Owner has entered into a separate School Facilities Mitigation Agreement, dated as of October 1, 2013, between Owner and the School District (the "School Mitigation Agreement"). The School District and the City have entered into a Joint Community Facilities Agreement, dated as of October 1, 2013.

Section 4. Advance of Certain Expenses. Pursuant to a Landowner Deposit Agreement, dated June 1, 2013 between the City and Owner (the "Deposit Agreement"), Owner shall pay and advance all of the costs reasonably associated with the establishment of the District. Owner shall deposit funds with the City for the City's reasonable out-of-pocket expenses associated with a sale of each series of Bonds, including, but not limited to, (i) the fees and expenses of any consultants and legal counsel to the City employed in connection with the issuance of the Bonds, including an engineer, special tax consultant, financial advisor, bond counsel and any other consultant deemed necessary or advisable by the City, (ii) the costs of appraisals, market absorption and feasibility studies and other reports deemed necessary or advisable by the City in connection with the issuance of the Bonds, (iii) the costs of publication of notices and other costs related to any proceeding undertaken in connection with the issuance of the Bonds, (iv) reasonable charges for City staff time incurred in connection with the issuance of the Bonds, including a reasonable allocation of City overhead expense, and (v) any and all other actual costs and expenses incurred by the City in connection with the issuance of the Bonds ("Reimbursable Expenses"). If the Bonds are issued by the District, the City shall reimburse Owner from proceeds of the Bonds, without interest, for the portion of the Reimbursable Expenses deposits that have been expended or encumbered, said reimbursement to be made from the proceeds of the Bonds on the date of issuance of the Bonds or as soon as reasonably possible thereafter and only to the extent otherwise permitted under the Act, and refund any unexpended or encumbered deposited amounts. If the Special Taxes are levied and collected, the City may reimburse Owner from the receipts of Special Taxes (net of amounts required to pay District

administrative expenses), without interest, for the portion of the deposits paid by Owner pursuant to the Deposit Agreement that have been expended or encumbered, said reimbursement from receipts of Special Taxes to be made on or before the end of each fiscal year; provided, however, that the City may retain such collected Special Taxes in the amounts that it deems reasonably necessary to facilitate the issuance of the Bonds.

The City shall keep records of all Reimbursable Expenses advanced by the City pursuant to this Section 3, which records shall be available for inspection by Owner during regular business hours. The sole source of funds for reimbursement of any advance expenditure made by the City or Owner shall be the uncommitted and unexpended payments made by Owner to the City, proceeds of the Bonds, or Special Tax receipts as determined by the City.

Section 5. Tax Requirements. The timing of the sale of each series of Bonds, the nature of the investments in which the proceeds of the Bonds shall be invested, the duration of such investments, and the timing of the expenditure of such proceeds shall be as set forth in this Agreement and the applicable fiscal agent agreement (the "Fiscal Agent Agreement"); provided, that in all such matters City shall comply with the requirements of and limitations prescribed by the provisions of Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the "Code"), as amended, and the implementing regulations of the United States Department of the Treasury. The City shall not be required to take any such action which in the opinion of the City's bond counsel could result in the Bonds being classified by the United States Department of the Treasury as "arbitrage bonds" or which could otherwise result in the interest on the Bonds being included in gross income for purposes of Federal income taxation. Should any change in or regulatory interpretation of any such requirement or limitation which may occur after the date of this Agreement require or necessitate, in the reasonable opinion of such bond counsel, any action on the part of the City in order to avoid such a classification or loss of tax exemption, the City shall notwithstanding any provision of this Agreement, forthwith take such action. In the event the City fails to comply with requirements set forth above in this Section 4, the City's liability is limited to the Special Tax revenues generated by the CFD.

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

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

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

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

- (1) first, to pay all reasonable costs of administration of the District;
- (2) second, to pay eligible costs reasonably determined by the City to be necessary to facilitate the issuance of Bonds within the next six months; and

(3) third, the amount remaining after payment of the amounts for (1) and (2) shall be deposited in the Special Fund and disbursed to reimburse prior deposits paid by Owner to City pursuant to the Deposit Agreement and then to fund any City Facilities;

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

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

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

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

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

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

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

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

(3) third, fund the City Facilities for which special taxes were insufficient to pay and then to pay School Facilities, which amount shall be deposited in the School District Account.

Funds in the School District Account shall be disbursed by the City, to pay for School Facilities. Funds in the City Facilities Account may be disbursed by the City to fund eligible City Facilities in the City's sole discretion. Earnings on the investment of funds in the City Facilities Account and the School District Account shall remain in such accounts and disbursed for eligible costs.

Section 7. Surplus Bond Proceeds. In the event that any surplus proceeds of the Bonds remain in the School District Account after all of the Public Facilities have been financed pursuant to this Agreement, said surplus shall be applied to redeem outstanding Bonds or to fund additional City Facilities as determined by the City.

Section 8. Indemnification. Owner shall promptly defend, indemnify and hold harmless the City, its officers, employees and agents, and each and every one of them, and the District from any and all claims, actions, liability, damages, losses, expenses and costs arising out of Owner's performance of, or failure to perform, its duties hereunder or by reason of, or arising out of, this Agreement.

Section 9. City Policies. Pursuant to the City's policies, including the Financing District Policy, with regard to the issuance and sale of bonds of community facilities districts, the total annual amount of special taxes to be levied on any parcel of property within a community facilities district and all other assessments and taxes which will be collected with respect to such property, must not exceed two percent (2%) of the fair market value of the property as determined by the County Assessor of Riverside County; provided that initially such fair market value will be based upon the estimated sales prices for residences and commercial property. Also, the ratio of the appraised market value of all parcels of property within a community facilities district to the total amount of the assessment and special tax obligation thereof after the issuance and sale of bonds for the district (the "Value-to-Lien Ratio") may not be less than four-to-one (4/1). Pursuant to the City's policies, the fair market value of the property within a community facilities district for purposes of determining such ratio will be determined based upon an appraisal made by an appraiser selected by the City.

Section 10. Representations, Covenants and Warranties of Owner. Owner represents and warrants for the benefit of the City as follows:

A. Organization. Owner is duly organized and validly existing under the laws of the State of Delaware, is in good standing and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

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

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

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

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

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

G. Continuing Disclosure. Owner agrees to comply with all of its obligations under any continuing disclosure agreement executed by it in connection with the offering and sale of any of the Bonds. Owner shall cooperate with City in complying with the requirements of Rule 15c2-12 of the Securities and Exchange Commission in connection with the issuance and sale of the Bonds. Owner shall provide information to the City regarding its operations and financial condition as such information has been disclosed in the Official Statement. The City, in consultation with the underwriter of the Bonds, may determine that some or all of such financial information will be included in the preliminary official statement and the final official statement for the Bonds. If Owner owns property within the District responsible for more than 20% of the Special Taxes levied in such fiscal year, then Owner acknowledges that it will be an "obligated person" for purposes of compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission and that it will therefore be necessary that Owner enter into a continuing disclosure undertaking, at the time of and in connection with the issuance and sale of the Bonds, that so long as it remains an obligated person it will semi-annually, at the time specified in such undertaking, provide information regarding its financial condition, including, at the City's discretion, financial statements prepared by Owners certified public accountant and the status of development and residential and land sale activity within the District to be included within the semi-annual reports which Owner, or a dissemination agent designated in such undertaking, will file with the Nationally Recognized Municipal Securities Information Repositories which are identified by the Securities and Exchange Commission and any state information repository that may be designated for the State of California, as required by that rule. Copies of all such reports shall also be provided to the City and the underwriter of the Bonds. Owner further acknowledges that it will be an obligated person pursuant to such rule as long as it owns property within the District that is responsible for the payment of annual Special Taxes which represent twenty percent or more of the annual debt service on the Bonds. If Owner sells any portion of property within the District to an entity and such entity will own property within the District which will be responsible for the payment of annual Special Taxes which represent twenty percent or more of the annual debt service on the Bonds, Owner shall notify such entity that it will be an obligated person for purposes of the rule and that such entity will be required to enter into a continuing disclosure undertaking as provided in this section.

Section 11. Independent Contractor. Owner is an independent contractor and not the agent of the City or the District. This Agreement shall not and does not create a joint venture or partnership between the City and Owner. The City shall have no responsibility or liability for the payment of any amount to any employee or subcontractor of Owner.

Section 12. Special Taxes. The parties are entering into this Agreement and establishing the District for the purpose of creating a stream of Special Tax revenues that will be available to the District to pay directly the costs of acquisition, construction and/or equipping the Public Facilities and to pay debt service on the Bonds, the proceeds of which will be used to pay the costs of acquisition, construction and/or equipping of the Public Facilities. Owner and City hereby acknowledge and agree (i) that any reduction or termination of the Special Taxes by exercise of the initiative power or other action would constitute a substantial impairment of the Special Tax revenue stream that Owner and City intend to create for the purpose of providing an assured source of funding for construction, acquisition and/or equipping of the Public Facilities, and (ii) that this Agreement is being entered into, and the Special Taxes are being imposed upon the Property pursuant to the Rate and Method, in accordance with existing laws relating to the imposition of fees and charges as a condition of Property development and such Special Taxes are being incurred as an incident of the voluntary act of development of the Property. To the fullest extent permitted by law, Owner, for itself and for each of its successors and assigns as owners or lessees of all or any portion of the Property included in the District hereby waives any right to exercise the initiative power that may be authorized in California Constitution Article XIII C, Section 3, to reduce or appeal the Special Taxes.

Section 13. Disclosure of Special Taxes.

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

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

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

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

(d) Information Sheet and Sample Property Tax Bill. Owner and its successors and assigns shall prepare, in a form reasonably acceptable for the City, and place in its sales office a sample property tax bill which shows the special tax to be levied in a form approved by City. Owner and its successors and assigns shall provide prospective purchasers of homes an information sheet in the sales office in the form set forth in Exhibit F, which is available for such purchasers to take with them. In addition, Owner shall prominently display a notification of Special Tax.

Section 14. Termination and Dissolution. Prior to the issuance of Bonds, Owner may elect to terminate this Agreement and request that the City cancel the Special Taxes by providing written notice to the City. Within thirty (30) days of such written notice, City shall record a notice of cancellation of special taxes with respect to each parcel. Owner shall be responsible for reasonable City costs incurred relating to the cancellation of the Special Taxes and recordation of such notice; provided, however, that the City shall not terminate the Special Taxes for any lot for which a building permit has been issued, unless Owner pays all City fees and School District fees or posts separate security therefore. Such termination of this Agreement and cancellation of Special Taxes shall have no effect on Owner's obligations to pay City impact fees and School District fees upon issuance of a building permit.

Section 15. Binding on Community Facilities District. The District shall automatically become a party to this Agreement, and all provisions hereof which apply to the City shall also apply to the District. The City Council of the City, acting as the legislative body of the District, shall perform all parts of this Agreement which require performance on the part of the District.

Section 16. Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto. Owner may assign this Agreement or any right or obligations hereunder to a corporation, limited partnership, or limited liability company created for the purpose of developing the property and which is under common control with owner (i.e., the same person or entity has controlling majority ownership in both Owner and the assignee) without the express prior written approval of the City; provided, however, that such assignment shall not become effective until there shall have been delivered to the City a written assignment and assumption agreement between Owner and the assignee whereby such rights assigned are specified and such assignee agrees, except as may be otherwise specifically provided therein, to assume the obligations of Owner under this Agreement and to be bound thereby. Otherwise, Owner may not assign its rights pursuant to this Agreement without the express written consent of the City Finance Director which shall not be unreasonably withheld.

Section 17. Prompt Action. All consents, approvals and determinations required of either the City or Owner pursuant to this Agreement shall be promptly given or made, and shall not be unreasonably withheld or conditioned.

Section 18. General. This Agreement and the Deposit Agreement contain the entire agreement between the parties with respect to the matters herein provided for. This Agreement may only be amended by a subsequent written agreement signed on behalf of both parties. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties. This Agreement shall be construed and governed by the Constitution and laws of the State of California. Should either party to this Agreement commence a court action or proceeding against the other party with respect to this Agreement or the design and acquisition or construction of the Public Facilities, the party prevailing in such action or proceeding shall be entitled to receive from the losing party its attorney's fees, expert witness fees, court costs and other costs incurred by it in prosecuting or defending such action or proceeding. The captions of the sections of this Agreement are provided for convenience only, and shall not have any bearing on the interpretation of any section hereof. This Agreement may be executed in several counterparts, each of which shall be an original of the same agreement.

[Signature Page Follows]

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

Dated: _____

MPLC KUNNY RANCH, LLC, A
DELAWARE LIMITED LIABILITY
COMPANY

By: Mission Pacific Land Company, a
Delaware limited liability
company,

Its: Managing Member

By: _____

Its: Managing Director

Dated: _____

CITY OF RIVERSIDE

By: _____

Name: _____

City Manager

ATTEST:

By: _____

City Clerk

APPROVED AS TO FORM:

By: _____

Bond Counsel

EXHIBIT A

DESCRIPTION OF PUBLIC FACILITIES

1.	<u>City Construction Facilities</u>	<u>Amount</u>
A.	Storm drains	\$ 89,872
B.	Sewer	287,268
C.	Traffic Improvements	15,580
D.	Transportation Improvements	95,120
E.	Water Improvements	374,440*
F.	Regional Parks	339,000
G.	City Park Improvements	416,642*
H.	Trail Improvement	4,611
G.	Electrical	<u>333,000</u>
	Total	\$1,955,533
2.	<u>Other Public Facilities</u>	
A.	Riverside Unified School District School Improvements	\$1,905,120

* May be required to be funded on a taxable basis from bond proceeds.

EXHIBIT B

DEFINITIONS

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

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

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

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

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

“City Construction Facilities” means those public improvements authorized to be funded as City Facilities.

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

“City Facilities Account” means an account of the Improvement Fund established and administered pursuant to Fiscal Agent Agreement for issuance of the first series of Bonds by the Fiscal Agent for such Bonds from which funds may be disbursed at the City’s request for City Construction Facilities.

“City Facilities Annual Payment” means the amount of \$47,946 levied annually in the Rate and Method to be used by the City to pay debt service on its obligations, or to pay for new facilities, relating to City Park Improvement and Trail Improvements and Water Improvements.

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

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

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

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

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

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

“Owner” means the MPLC Kunny Ranch, LLC, a Delaware limited liability company, as the owner of the Property, and its successors and assigns.

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

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

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

EXHIBIT C

CITY OF RIVERSIDE NOTICE OF SPECIAL TAX Community Facilities District No. 2013-1 (Kunny Ranch)

1. WHAT IS COMMUNITY FACILITIES DISTRICT (CFD) NO. 2013-1?

CFD No. 2013-1 (Kunny Ranch) was formed pursuant to the “Mello-Roos Community Facilities Act of 1982” to finance certain public facilities.

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

The property owner is responsible for paying the CFD No. 2013-1 (Kunny Ranch) special tax, which will appear as a separate line item on your property tax bill along with your regular property taxes.

3. HOW MUCH WILL MY SPECIAL TAX BE?

The special tax is based upon the size of the home. The assigned and maximum special taxes for CFD No. 2013-1 (Kunny Ranch) for the 2014-15 Fiscal Year are summarized below.

Special Taxes:

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax per DU or Acre
1. - Residential Property	DU	3,300 sq. ft or less	\$4,533
2. - Residential Property	DU	3,301 sq. ft. to 3,600 sq. ft.	\$4,653
3. - Residential Property	DU	3,601 sq. ft. to 3,900 sq. ft.	\$4,789
4. - Residential Property	DU	3,901 sq. ft. to 4,200 sq.ft.	\$5,029
5. - Residential Property	DU	4,201 sq. ft to 4,500 sq. ft.	\$5,194
6. - Residential Property	DU	>= 4,501 sq. ft.	\$5,360
7. - Non Residential Property	Acre	N/A	\$6,012

4. HOW LONG WILL I HAVE TO PAY THE CFD NO. 2013-1 SPECIAL TAX?

The CFD No. 2013-1 special tax will not be collected after calendar year 2054.

5. CAN THE SPECIAL TAXES BE PREPAID?

Homeowners have the option of prepaying their CFD No. 2013-1 (Kunny Ranch) Special Tax anytime. For prepayment information please contact the City of Riverside’s CFD No. 2013-1 (Kunny Ranch) administrator, Albert A. Webb Associates, 3788 McCray Street, Riverside, CA 92506.

6. WHERE CAN I GET MORE INFORMATION?

For more information in regards to CFD No. 2013-1, contact the City of Riverside’s CFD No. 2013-1 (Kunny Ranch) administrator, Albert A. Webb Associates, 3788 McCray Street, Riverside, CA 92506.