

of the SEC or any other governmental authority having jurisdiction or any new restriction on transactions in securities materially affecting the market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a charge to the net capital requirements of, the Underwriter shall have been established by the New York Stock Exchange, the SEC, or any other federal or State agency or the Congress of the United States, or by Executive Order;

(vi) An amendment to the Constitution of the United States of America or the Constitution of the State shall have been passed or legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to Congress by the President of the United States of America or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, or of the Bonds, including any or all underlying arrangements, are not exempt from registration under or by other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or by other requirements of the Trust Indenture Act of 1939, as amended, or that the execution, offering or sale of obligations of the general character of the Bonds, or of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement, otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(vii) Any event or circumstance existing or occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(viii) Any amendment to the federal Constitution or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income or securities (or interest thereon), the validity or enforceability of the Special Taxes or the ability of the District to issue the Bonds as contemplated by the Indenture and the Official Statement;

(ix) The entry of an order by a court of competent jurisdiction which enjoins or restrains the County of Riverside from issuing permits, licenses or entitlement within the District, which order, in the reasonable opinion of the Underwriter, materially and adversely affects proposed developments within the District in particular or the County of Riverside in general;

(x) Any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State or a decision by any court of competent jurisdiction within the State or any court of the United States of America shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(x) The commencement of any action, suit, proceeding, inquiry or investigation, at law or in equity, as set forth in Section 2(p) hereof.

(e) On or prior to the Closing, the Underwriter shall have received counterpart originals or certified copies (which may be in electronic form) of the following documents, in each case satisfactory in form and substance to the Underwriter, or shall have waived the receipt of such documents as a condition to the Underwriter's purchase of the Bonds:

(i) The Official Statement, executed on behalf of the District;

(ii) Fully executed copies of the District Documents (except the Bonds), and certified copies of the Procedural Resolutions, the Ordinance and the Bond Resolution;

(iii) An approving opinion of Bond Counsel, dated the Closing Date, and substantially in the form included as Appendix E to the Official Statement, together with a letter or letters from such counsel, dated the Closing Date and addressed to the Underwriter and the Trustee, to the effect that the foregoing opinion may be relied upon by the Underwriter and the Trustee to the same extent as if such opinion were addressed to them;

(iv) A supplemental opinion of Bond Counsel, dated as of the Closing Date and addressed to the Underwriter, in form and substance satisfactory to the Underwriter and its counsel, to the effect that:

(A) This Purchase Agreement and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District, and constitute the legal, valid and binding obligations of the District, are in full force and effect as of the Closing, and are enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights and by the application of equitable principles if equitable remedies are sought;

(B) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE SERIES 2015 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS" "CONTINUING DISCLOSURE," "LEGAL MATTERS – Tax Matters, " " – Legal Opinion," APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT OF COMMUNITY FACILITIES DISTRICT and "APPENDIX E – "FORM OF OPINION OF BOND COUNSEL," insofar as such statements expressly summarize certain provisions relating to the Bonds, the Indenture and the form and content of the Continuing Disclosure Agreement and such firm's opinion regarding certain federal tax aspects are accurate in all material respects; and

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(D) The Special Taxes have been duly and validly authorized in accordance with the provisions of the Act and a lien to secure payment of the Special Taxes has been imposed on all non-exempt property in the District;

(v) An opinion, dated the Closing Date and addressed to the District and the Underwriter, of Stradling Yocca Carlson & Rauth, Disclosure Counsel for the District, to the effect that without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the County, Bond Counsel, Orrick, Herrington & Sutcliffe LLP, as counsel to the County ("Counsel to the County"),

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Fieldman, Rolapp & Associates, the financial advisor to the District, representatives of the Underwriter, Albert A. Webb Associates, as Special Tax Consultant and others, and their examination of certain documents, no information has come to their attention which would lead them to believe that the Official Statement as of its date contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion or belief need be expressed as to any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, real estate, environmental matters, valuation, absorption or appraisals, or any information about tax exemption, the Underwriters, underwriting, DTC or its book-entry system, ratings and rating agencies and the appendices included or referred to in the Official Statement);

(vi) An opinion, dated the Closing Date and addressed to the District and the Underwriter, of Riverside County Counsel, in form and substance acceptable to the Underwriter and its counsel, to the effect that:

(A) The County is a political subdivision of the State of California duly organized and validly existing under the Constitution and the laws of the State and the District is duly organized and validly existing as a community facilities district pursuant to the Constitution and the laws of the State, including the Act, and the District has full legal right, power and authority to issue the Bonds and each of the County and the District have full legal right, power and authority to execute and deliver and perform their respective obligations under the Procedural Resolutions, the Ordinance and the District Documents;

(B) The Procedural Resolutions, the Ordinance and the Bond Resolution have been duly adopted by the Board of Supervisors, acting as the Board of Supervisors or as the legislative body of the District, as applicable, at meetings thereof which were duly called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Procedural Resolutions, the Ordinance and the Bond Resolution are in full force and effect;

(C) The execution and delivery by the District of the District Documents and the Bonds and the performance of its obligations thereunder have been duly authorized by all requisite action of the Board of Supervisors, acting for itself or as the Legislative Body of the District, and the Bonds and the District Documents have been duly executed and delivered by the District and constitute legal, valid and binding obligations of the District, enforceable against the District in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(D) The preparation and distribution of the Preliminary Official Statement and the Official Statement and the execution and delivery of the District Documents have been duly authorized by the District and the Official Statement has been duly and validly executed;

(E) Other than as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or to the best of such counsel's knowledge, threatened in any way (1) affecting the existence of the County or the District or the titles of the officers of each to their respective offices, (2) which would materially adversely affect the ability of the District to perform its obligations under the Bonds or the District Documents, (3) seeking to restrain or to enjoin the execution and delivery of the District Documents or the issuance, sale or

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delivery of the Bonds or the application of the proceeds thereof or the collection or application of the Special Taxes, (4) contesting or affecting the validity or enforceability of the Bonds, the District Documents or any action of the District or the County contemplated by any of said documents, (5) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or (6) which alleges that interest on the Bonds is not excludable from gross income for federal income tax purposes or that interest on the Bonds is not exempt from State personal income taxation, nor to the knowledge of such counsel, is there any basis therefor;

(F) To the best of such counsel's knowledge, the County and the District are not in breach of or in default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, fiscal agent agreement, contract, agreement or other instrument to which the County or the District is a party or is otherwise subject or bound, including the District Documents, a consequence of which could be to materially and adversely affect the ability of the County or the District to perform their obligations under the Bonds, the District Documents or which, with the passage of time or the giving of notice or both, would constitute an event of default thereunder; and

(G) To the best of such counsel's knowledge, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of such counsel's participation in conferences with representatives of the County, Bond Counsel, representatives of the Underwriter and others, and such counsel's examination of certain documents, nothing has come to the attention of the attorneys of the County Counsel's office which has led such counsel to believe that the Official Statement as of its date and as of the Closing Date contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (except that no opinion is expressed as to any financial or statistical data, appraisals, assessed values or projections or information regarding the book-entry system contained in the Official Statement);

(vii) The opinion of McFarlin & Anderson LLP, Underwriter's Counsel, dated the Closing Date, addressed to the Underwriter, to the effect that the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, and that based upon an examination which such firm has made, which shall be specified, and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, but on the basis of their participation in conferences with representatives of the District, the County, Bond Counsel, Disclosure Counsel, Fieldman, Rolapp & Associates, the financial advisor to the District, representatives of the Underwriter, Albert A. Webb Associates, the Special Tax Consultant, and others, and their examination of certain documents, no information has come to the attention of the attorneys in such firm rendering legal services in connection with their representation of the Underwriter which caused them to believe that the Official Statement as of its date and as of the Closing Date (except that no opinion or belief need be expressed as to any financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, maps, estimates, projections, assumptions or expressions of opinion, any information about feasibility, estimates, projections, valuation, appraisals, absorption, real estate, environmental or archaeological matters or any information tax exemption, debt service requirements, the book-entry system, The Depository Trust Company, or information under the captions "LEGAL MATTERS – Tax Matters" or the Appendices included therein, as to which such firm shall not be required to express any opinion or view) contained any

untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(viii) A certificate, dated the Closing Date and signed by a duly authorized official of the District, certifying that (A) the representations and warranties of the District contained in this Purchase Agreement are true and correct in all material respects on and as of the Closing with the same effect as if made on the Closing; (B) no event has occurred since the date of the Official Statement affecting the matters contained therein which should be disclosed in the Official Statement so that it does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein in light of the circumstances under which they were made not misleading; and (C) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the District Documents at and prior to the Closing or such conditions shall have been waived in writing by an authorized officer of the Underwriter;

(ix) A certificate, dated the Closing Date, of the County to the effect that (A) the County is duly organized and validly existing under the Constitution and the laws of the State; (B) the information in the Preliminary Official Statement and the Official Statement relating to the County and actions taken by the Board of Supervisors does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and no event has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; and

(x) The opinion of counsel to the Trustee, dated the Closing Date, addressed to the County, the District and the Underwriter in form and substance acceptable to Bond Counsel, the Underwriter and counsel to the Underwriter:

(A) The Trustee is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Indenture and the Continuing Disclosure Agreement (the "Agreements"), and any other documentation relating to the Agreements, and to perform its obligations under the Agreements;

(B) The execution and delivery by the Trustee of the Agreements and any other documentation relating to the Agreements, and its performance of its obligations under the Agreements, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) The Trustee has duly authorized the authentication and delivery of the Bonds and the acceptance of its obligations thereunder and has duly authenticated and delivered the Bonds in accordance with the terms of the Indenture;

(D) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by the Trustee of the Agreements;

(E) The Agreements have been duly executed and delivered and constitute the valid and legally binding obligations of the Trustee enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights

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generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law); and

(F) The Trustee has duly executed and delivered the Bonds issued on the date hereof in its capacity as trustee under the Indenture;

(xi) A certificate of the Trustee, dated the Closing Date, signed by a duly authorized officer of the Trustee, addressed to the Underwriter, in form and substance acceptable to Bond Counsel and counsel for the Underwriter to the following effect:

(A) The Trustee is a national banking association duly organized and validly existing and in good standing under and by virtue of the laws of the United States of America and has the full power and authority to authenticate and deliver the Bonds, to execute and deliver the Indenture and the Continuing Disclosure Agreement and to accept and perform its duties under the Trustee Documents;

(B) Subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture;

(C) The Bonds have been duly authenticated on behalf of the Trustee and the Trustee has duly accepted the trusts created under the Indenture and the duties and obligations of the Trustee thereunder; the Indenture has been duly executed and delivered by the Trustee and the officers of the Trustee who executed and delivered the Indenture were, as of the date of such execution and delivery, duly qualified and acting officers authorized to perform such acts;

(D) To its knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending that has been served on the Trustee or threatened in any way affecting the existence of the Trustee, or seeking to restrain or to enjoin the execution and delivery of the Trustee Documents, or the authentication of the Bonds by the Trustee, or in any way contesting or affecting the validity or enforceability, as against the Trustee of the Trustee Documents or any action of the Trustee contemplated by any of said documents, or in which an adverse outcome would materially and adversely affect the ability of the Trustee to perform its obligations under the Trustee Documents;

(E) The Trustee is not in breach of or in default under any applicable law or administrative rule or regulation of the State or of the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under material agreement or material instrument to which the Trustee is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Trustee to perform its obligations under the Trustee Documents;

(F) The authentication of the Bonds, and the execution and delivery of the Trustee Documents by the Trustee, and compliance with the provisions thereof, have been duly authorized by all necessary corporate action on the part of the Trustee and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or of the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any material agreement or material instrument to which the Trustee is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Trustee to perform its obligations under the Trustee Documents; and

(G) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Bonds and the acceptance and performance of the obligations created by the Trustee Documents;

(xii) A certified copy of a certificate of an officer of the Trustee, certifying as to the incumbency, signature and signing authority of the officers who have executed and delivered the Indenture and have agreed to accept the duties of Trustee under the Indenture.

(xiii) The no arbitrage or tax certificate of the District, in form and substance acceptable to Bond Counsel;

(xiv) An issue price certificate of the Underwriter in form and substance reasonably satisfactory to Bond Counsel and the Underwriter in substantially the form attached hereto as Exhibit C;

(xv) Evidence that federal tax information Form 8038-G with respect to the Bonds has been prepared for filing and mailed;

(xvi) A certificate, dated the Closing Date, from Albert A. Webb Associates (the "Special Tax Consultant") to the effect that (A) it is of the opinion that the amount of the maximum Special Taxes that may be levied in the District on Developed Property each Fiscal Year net of Administrative Expenses, estimated in the amount of \$_____, escalating at 2% each fiscal year, is at least 110% of the annual debt service for the Bonds in the Bond Year commencing in such Fiscal Year, and (B) it has reviewed the Preliminary Official Statement and Official Statement, and the statements concerning the Rate and Method and all statistical and financial data set forth in the tables and described in the Official Statement which were derived from information supplied by the Special Tax Consultant for use in the Official Statement including under the captions "INTRODUCTION," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS – Rate and Method," "– Coverage and Source of Annual Debt Service," "THE COMMUNITY FACILITIES DISTRICT– Land Use Status and Approvals," "– Estimated Direct and Overlapping Indebtedness," "– Expected Tax Burden," "– Estimated Assessed Value-to-Lien Ratios" – Largest Taxpayers," "– Delinquency History" and "SPECIAL RISK FACTORS" – "Concentration of Ownership" and – "Insufficiency of the Special Taxes," "CONTINUING DISCLOSURE" and in APPENDIX A – "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE" are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and no events or occurrences have been ascertained by the Special Tax Consultant or have come to its attention that would substantially change such information set forth in the Official Statement;

(xvii) A certificate, dated as of the Closing Date, regarding boundaries of the District, substantially in the form of Exhibit B hereto, addressed to the Underwriter, the County and the District;

(xviii) A certificate or certificates of Applied Best Practices, Inc., dated the Closing Date, in form and substance acceptable to the Underwriter and Underwriter's counsel, regarding

the County of Riverside and its affiliated entities compliance with prior continuing disclosure undertakings.

(xix) Certified copies of proceedings relating to formation of the District, including a copy of the Notice of Special Tax for the District recorded in the Office of the Los Angeles County Recorder, the boundary map of the District and the County's current local goals and policies adopted pursuant to Section 53312.7 of the Act (copies of these proceedings may be provided to the Underwriter and its counsel separate from the transcript relating to the issuance of the Bonds);

(xxiv) A copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the County;

(xxv) Copies of filings with the California Debt and Investment Advisory Commission relating to the issuance of the Bonds; and

(xxvi) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing, of the statements and information contained in the Preliminary Official Statement and the Official Statement, of the District's representations and warranties contained herein and the due performance or satisfaction by the County, the District at or prior to the Closing of all agreements then to be performed and all conditions then to be satisfied by the District in connection with the transactions contemplated hereby and by the Official Statement and the District Documents.

If any of the conditions to the obligations of the Underwriter contained in this Section or elsewhere in this Purchase Agreement shall not have been satisfied when and as required herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing by written notice to the District.

4. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid, whether out of the proceeds of the Bonds or other legally available funds, all expenses incident to the performance of the District's obligations hereunder, including, but not limited to: the cost of printing and delivering the Bonds to the Underwriter; the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Procedural Resolutions, the Ordinance, the Bond Resolution and the Indenture, and the cost of printing, distribution and delivery of the Preliminary Official Statement and the Official Statement and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter; the fees and expenses of the CFD Administrator in connection with the issuance of the Bonds; the fees and expenses in connection with obtaining a delinquency report and statement of direct and overlapping bonded debt for the District and the fees and disbursements of the Trustee, Bond Counsel, Disclosure Counsel, the County Counsel, the Special Tax Consultant, any accountants, financial advisors, engineers or other experts or consultants the District or the County have retained in connection with the Bonds, amounts, if any, due to a developer as reimbursement for costs of issuance and any out-of-pocket disbursements of the District or the County to be paid from the proceeds of the Bonds.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the District shall be under no obligation to pay, and the Underwriter shall pay the cost of preparation of any "blue sky" or legal investment memoranda and this Purchase Agreement, expenses to qualify the Bonds for sale under any "blue sky" or other state securities laws, the fees, if any, payable to

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the California Debt and Investment Advisory Commission in connection with the Bonds, CUSIP® Service Bureau fees, and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this Section), including any CUSIP® fees, fees of the MSRB, the fees and disbursements of its counsel and advertising expenses.

5. Notices. Any notices, requests, directions, instruments or other communications required or permitted to be given hereunder shall be in writing and shall be given when delivered, against a receipt, or mailed certified or registered, postage prepaid, to the District and the Underwriter at the respective addresses below.

If to the District:

Community Facilities District No. 07-2 (Clinton Keith)
of the County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501-3651
Attention: Deputy County Executive Officer

If to the Underwriter:

Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, California 92651
Attention: Public Finance

provided, however, that all such notices, requests or other communications may be made by telephone, personal or courier delivery, registered or certified mail, facsimile transmission or electronic communication, provided that delivery by facsimile transmission or electronic communication must be confirmed by the sender. The County, the District and the Underwriter may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

6. Parties in Interest. This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The term “successor” shall not include any owner of any Bonds merely by virtue of such holding. The District may not assign this Agreement.

7. Survival of Representation and Warranties. The representations and warranties of the District set forth in or made pursuant to this Purchase Agreement as of the date hereof, or as of the Closing, shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Bonds.

8. Effective. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

9. Applicable Law; Nonassignability. This Purchase Agreement shall be governed by the laws of the State. This Purchase Agreement shall not be assigned by the District or the Underwriter.

10. Execution of Counterparts. This Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same.

11. No Prior Agreements. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and represents the entire agreement of the parties as to the subject matter herein.

12. Partial Unenforceability. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13. Capitalized Terms. Terms with initial capital letters not otherwise defined herein shall have the meanings assigned to them in the Indenture or the Official Statement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; EXECUTION PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Purchase Agreement as of the date set forth below.

Very truly yours,

PIPER JAFFRAY & CO.

By: _____
Authorized Signatory

ACCEPTED:

**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE**

By: _____
County Executive Officer

Time of Execution: [Pricing Date], 2015
___ p.m. PDT

[EXECUTION PAGE OF BOND PURCHASE AGREEMENT]

EXHIBIT A

[\$[PRINCIPAL AMOUNT]
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2015

MATURITY SCHEDULE FOR THE BONDS

[\$[Principal Amount]

<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
Serial Bonds:				
2016	\$	%	%	
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
20__				
Term Bond:				
20__	\$	%	%	

Redemption of the Bonds

Optional Redemption. The Bonds maturing on or after September 1, 20__ are subject to optional redemption, in whole or in part in denominations of \$5,000 or integral multiples thereof on any date on or after September 1, 20__, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Redemption from Special Tax Prepayments. The Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2016, from and to the extent of any prepaid Special Taxes deposited in the Redemption Fund, at the following respective Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
March 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 thereafter	100

Mandatory Sinking Payment Redemption. The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the 20__ Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (<u>September 1</u>)	Principal Amount to Be <u>Redeemed</u>
---	---

* maturity

The Bonds maturing on September 1, 20__ (the “20__ Term Bonds”) shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the 20__ Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (<u>September 1</u>)	Principal Amount to Be <u>Redeemed</u>
---	---

* maturity

EXHIBIT B

**CERTIFICATE REGARDING BOUNDARIES
OF THE COMMUNITY FACILITIES DISTRICT**

Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, California 92651

Community Facilities District No. 07-2(Clinton Keith)
of the County of Riverside
4080 Lemon Street, 4th Floor
Irvine, California 92606-5208

The undersigned authorized representative of Albert A. Webb Associates hereby certifies the following:

The parcels set forth on Appendix A hereto have been included within the boundaries of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "District") and are encompassed by successor parcels to the parcels identified by the Assessor's Parcel Numbers included as an exhibit to the Notice of Special Tax recorded with respect to the Community Facilities District.

There have been no lot line adjustments affecting the exterior boundaries of the District.

Dated: [Closing Date], 2015

ALBERT A. WEBB ASSOCIATES

By: _____
Authorized Representative

APPENDIX A

**COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH) OF THE COUNTY OF RIVERSIDE**

List of Parcels Included Within
the Boundaries of the Community Facilities District
County of Riverside

APNs Acreage

Note: Acreages are based on Assessor's Parcel Map information and are approximate.

EXHIBIT C

FORM OF UNDERWRITER ISSUE PRICE CERTIFICATE

**[\$[PRINCIPAL AMOUNT]]
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2015**

The undersigned, on behalf of Piper Jaffray & Co., as Underwriter (the "Underwriter") of the \$[Principal Amount] Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the "Bonds," the "County," and the District," respectively) hereby makes the representations, and provides the certifications, contained in this certificate based on the information available to it concerning the Bonds to the District and Orrick, Herrington & Sutcliffe LLP, Bond Counsel, as follows:

1. Issue Price.

- 1.1 As of [Pricing Date], 2015 (the "Sale Date"), the Underwriter had offered or reasonably expected to sell all of the Bonds to the general public (excluding bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) in a bona fide public offering at the prices (the "Reoffering Prices") set forth in the schedule attached hereto.
- 1.2 In our opinion, and based upon our estimate as of the Sale Date, the Reoffering Prices of the Bonds are within a reasonable range of, and should reflect the fair market prices for such Bonds.
- 1.3 As of the Sale Date, all of the Bonds were offered to the general public in a bona fide offering at the Reoffering Prices, and except for the Bonds maturing 20__ and 20__ (the "Select Bonds"), the first price at which at least 10% of each such maturity of the Bonds was actually sold to the general public was at such respective Reoffering Price.
- 1.4 As of the Sale Date, the Underwriter had no reason to believe that the Select Bonds would be sold to the general public at an initial offering price greater than (or, if sold on a yield basis, at an initial yield lower than) the respective Reoffering Prices.
- 2.1 Bond Counsel has advised the Underwriter that the yield on the Bonds is to be computed under the economic accrual method using an assumed 30-day month/360-day year, and semiannual compounding, and as further described in Section [4.1] of the Tax Certificate. Bond Counsel has advised the Underwriter that the weighted average maturity of the Bonds, for purposes of IRS Form 8038-G, is calculated as the sum of the products of the issue price of each maturity of the Bonds and the number of years to maturity of the Bonds (determined separately for each maturity and by taking into account mandatory redemptions), divided by the issue price of the entire issue. Based upon the forgoing methodologies, the Underwriter has calculated the yield on the Bonds (____%) and the weighted average maturity of the Bonds (____ years). However, notwithstanding the foregoing, the Underwriter reminds those persons or parties who are receiving and relying upon this Certificate that the

Underwriter is not an accountant or an actuary, nor is the Underwriter engaged in the practice of law. Accordingly, while the Underwriter believes the calculations described above to be correct, it does not warrant them to be so. The Underwriter expresses no view regarding the legal sufficiency of any such computations or the correctness of any legal interpretation made by Bond Counsel.

3. Reserve Fund

The funding of the Reserve Fund that is established pursuant to the Indenture, as provided in the Tax Certificate, is reasonably required, was a vital factor in marketing the Bonds, facilitated the marketing of the Bonds at an interest rate comparable to that of bonds and other obligations of a similar type and is not in excess of the amount necessary for such purpose.

4. Defined Terms

Capitalized terms used in this certificate, unless otherwise defined herein or in the Indenture (the "Indenture"), dated as of August 1, 2015, by and between the District and U.S. Bank National Association, as Trustee (the "Trustee"), shall have the meaning(s) given to such terms in the Tax Certificate provided in connection with the execution and delivery of the Bonds.

The Underwriter understands that Bond Counsel will rely upon the representations and certifications in this certificate, among other things, in reaching its conclusion that the Bonds do not constitute "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), *provided, however*, that nothing herein represents our interpretation of any laws, and, in particular, Regulations issued under Section 148 of the Code.

Dated: [Closing Date], 2015

PIPER JAFFRAY & CO.

By: _____
Authorized Signatory

[POS Date], 2015

\$[POS Amount]*
**COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2015**

RULE 15c2-12 CERTIFICATE - DISTRICT

Piper Jaffray & Co.
1100 South Coast Highway, Suite 300A
Laguna Beach, California 92651

**Re: Community Facilities District No. 07-2
(Clinton Keith) of the County of Riverside
Special Tax Bonds, Series 2015**

Ladies and Gentlemen:

In connection with the proposed sale to you of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the "Bonds"), Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "District") has delivered to you a Preliminary Official Statement, dated [POS Date], 2015, relating to the Bonds (the "Preliminary Official Statement"). The District, for purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the following information: the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, dates of mandatory sinking fund payments, delivery dates, and any other terms of the Bonds relating to such matters.

Very truly yours,

**COMMUNITY FACILITIES DISTRICT
NO. 07-2 (CLINTON KEITH) OF THE
COUNTY OF RIVERSIDE**

By: _____
County Executive Officer

CONTINUING DISCLOSURE AGREEMENT

by and between

**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE**

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

Dated as of _____ 1, 2015

**Community Facilities District No. 07-2 (Clinton Keith)
of the County of Riverside
Special Tax Bonds, Series 2015**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of _____ 1, 2015, is by and between the COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE, a community facilities district organized and existing under and by virtue of the laws of the State of California (the "Community Facilities District"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, pursuant to the Indenture, dated as of _____ 1, 2015 (the "Indenture"), by and between the Community Facilities District and the Trustee, the Community Facilities District has issued the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the "Series 2015 Bonds"), in the aggregate principal amount of \$ _____; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the Community Facilities District and the Trustee for the benefit of the holders and beneficial owners of the Series 2015 Bonds and in order to assist the underwriter of the Series 2015 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

"Annual Report" means any Annual Report provided by the Community Facilities District pursuant to, and as described in, Sections 2 and 3 hereof.

"Annual Report Date" means the date in each year that is the first day of the month following the ninth month after the end of the Community Facilities District's fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

"Community Facilities District" means Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside, a community facilities district organized and existing under the laws of the State, and any successor thereto.

"Disclosure Representative" means the County Executive Officer of the County of Riverside, or such other person as the Community Facilities District shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Community Facilities District and which has filed with the Trustee a written acceptance of such designation.

“Indenture” means the Indenture, dated as of _____ 1, 2015, by and between the Community Facilities District and U.S. Bank National Association, as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

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

“Official Statement” means the Official Statement, dated _____, 2015, relating to the Series 2015 Bonds.

“Participating Underwriter” means the original underwriter of the Series 2015 Bonds required to comply with the Rule in connection with the offering of the Series 2015 Bonds.

“Rule” means 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.

“Trustee” means U.S. Bank National Association, as Trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The Community Facilities District shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2014-15 Fiscal Year. The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the Community Facilities District, if any, may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Community Facilities District’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the Community Facilities District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Community Facilities District and the Dissemination Agent

to determine if the Community Facilities District is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

(ii) file a report with the Community Facilities District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The Community Facilities District's Annual Report shall contain or incorporate by reference the following:

(a) The Community Facilities District's audited financial statements, if any, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Community Facilities District's audited financial statements, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements, in a format similar to that used for the Community Facilities District's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The principal amount of Series 2015 Bonds Outstanding and the principal amount of Bonds Outstanding as of the September 30 next preceding the Annual Report Date.

(ii) The balance in the Reserve Fund, and a statement of the Reserve Requirement as of the September 30 next preceding the Annual Report Date.

(iii) The aggregate assessed value of all parcels within the Community Facilities District on which the Special Taxes are levied in each property classification under the Rate and Method, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of units in each property classification under the Rate and Method for the then current fiscal year, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. "below 3:1", "3:1 to 4:1" etc.).

(iv) The Special Tax delinquency rate for all parcels within the Community Facilities District on which the Special Taxes are levied, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of parcels within the Community Facilities District on which the Special Taxes are levied and which are delinquent in payment of Special Taxes, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the amount of each delinquency, the length of time delinquent and the date on which foreclosure was commenced, or similar information pertaining to delinquencies deemed appropriate by the Community Facilities District; provided, however, that parcels with aggregate delinquencies of \$5,000 or less (excluding penalties and interest) may be grouped together and such information may be provided by category.

(v) The status of foreclosure proceedings for any parcels within the Community Facilities District on which the Special Taxes are levied and a summary of the results of any foreclosure sales as of the September 30 next preceding the Annual Report Date.

(vi) The identity of any property owner representing more than 5% of the annual Special Tax levy who is delinquent in payment of such Special Taxes, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date.

(vii) A land ownership summary listing the ten property owners responsible for the greatest portion of the annual Special Tax levy, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, a summary of the Special Taxes levied on the property within the Community Facilities District owned by such property owners, and the assessed value of such property, as shown on such assessment roll.

(c) In addition to any of the information expressly required to be provided under the preceding paragraphs (a) and (b), the Community Facilities District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Community Facilities District or related public entities, which have been made available to the public on the MSRB's website. The Community Facilities District shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015 Bonds in a timely manner not later than ten business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the Community Facilities District.

For purposes of the event identified in paragraph (ix), 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, the Community Facilities District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015 Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds.
- (ii) Modifications to rights of holders of the Series 2015 Bonds.
- (iii) Optional, unscheduled or contingent Series 2015 Bond calls.

- (iv) Release, substitution, or sale of property securing repayment of the Series 2015 Bonds.
- (v) Non-payment related defaults.
- (vi) 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.
- (vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) If a Listed Event described in subsection (b) of this Section occurs, the Community Facilities District shall determine if such event would be material under applicable Federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the Community Facilities District determines that the occurrence of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the Community Facilities District shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notices of Listed Events described in paragraph (vii) of subsection (a) of this Section and paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2015 Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The Community Facilities District's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015 Bonds. If such termination occurs prior to the final maturity of the Series 2015 Bonds, the Community Facilities District shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without

appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Community Facilities District and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Community Facilities District; provided, however, that the Trustee shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), 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 subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, 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 Series 2015 Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Series 2015 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series 2015 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Community Facilities District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Community Facilities District. 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 in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. In the event of a failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2015 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2015 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Trustee or the Dissemination Agent, as the case may be, 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 Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Community Facilities District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the Community Facilities District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015 Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Trustee, the Dissemination Agent, the Participating

Underwriter and the Owners and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

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

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

**COMMUNITY FACILITIES DISTRICT
NO. 07-2 (CLINTON KEITH) OF THE
COUNTY OF RIVERSIDE**

By: _____

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside

Name of Bond Issue: Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "Community Facilities District") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of _____ 1, 2015, by and between the Community Facilities District and U.S. Bank National Association, as Trustee. [The Community Facilities District anticipates that the Annual Report will be filed by _____, 20__.]

Dated: _____

U.S. Bank National Association, as
Trustee, on behalf of the Community
Facilities District No. 07-2 (Clinton
Keith) of the County of Riverside

cc: Community Facilities District No. 07-2
(Clinton Keith) of the County of Riverside

PRELIMINARY OFFICIAL STATEMENT DATED JULY __, 2015

NEW ISSUE

NOT RATED

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds. See "LEGAL MATTERS — Tax Matters" herein.

\$23,950,000*

COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2015

Dated: Date of Delivery

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

The Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the "Series 2015 Bonds") are being issued and delivered by Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "Community Facilities District") to (i) provide financing for certain public infrastructure improvements, (ii) fund a reserve fund with respect to the Series 2015 Bonds and (iii) pay the costs of issuance with respect to the Series 2015 Bonds. See "SOURCES AND USES OF FUNDS" herein. The Community Facilities District has been formed by and is located in the County of Riverside, California (the "County").

The Series 2015 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 an Indenture, dated as of August 1, 2015 (the "Indenture") by and between the Community Facilities District and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2015 Bonds are special obligations of the Community Facilities District and are payable solely from revenues derived from certain annual Special Taxes (as defined herein) to be levied on and collected from the owners of parcels within the Community Facilities District subject to the Special Tax and from certain other funds pledged under the Indenture, all as further described herein. The Special Taxes are to be levied according to the rate and method of apportionment approved by the Board of Supervisors of the County and the qualified electors within the Community Facilities District. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS." The Board of Supervisors of the County is the legislative body of the Community Facilities District.

The Series 2015 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 principal amounts of \$5,000 or an integral multiple thereof, in book-entry form only. Purchasers of Series 2015 Bonds will not receive certificates representing their beneficial ownership of the Series 2015 Bonds but will receive credit balances on the books of their respective nominees. Interest on the Series 2015 Bonds will be payable on March 1, 2016 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Series 2015 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are to remit such payments to the beneficial owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS — General Provisions" and APPENDIX F — "BOOK-ENTRY AND DTC" herein.

Neither the faith and credit nor the taxing power of the County of Riverside, the State of California or any political subdivision thereof is pledged to the payment of the Series 2015 Bonds. Except for the Net Special Tax Revenues (as defined herein), no other taxes are pledged to the payment of the Series 2015 Bonds. The Series 2015 Bonds are special tax obligations of the Community Facilities District payable solely from Net Special Tax Revenues (as defined herein) and certain other amounts held under the Indenture as more fully described herein.

The Series 2015 Bonds are subject to optional redemption, mandatory redemption from Special Tax prepayments and mandatory sinking fund redemption prior to maturity as set forth herein. See "THE SERIES 2015 BONDS — Redemption" herein.

Certain events could affect the ability of the Community Facilities District to pay the principal of and interest on the Series 2015 Bonds when due. The purchase of the Series 2015 Bonds involves significant investment risks, and the Series 2015 Bonds may not be suitable investment for many investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2015 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 Series 2015 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the Community Facilities District with respect to the Series 2015 Bonds. Certain legal matters will be passed on for the County and the Community Facilities District by County Counsel and for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as counsel to the Underwriter. It is anticipated that the Series 2015 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August __, 2015.

Piper Jaffray

Dated: July __, 2015

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

MATURITY SCHEDULE

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.®†</i>
--	-----------------------------	----------------------	--------------	--------------	--------------------

\$ _____ TERM BONDS

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

† Copyright© 2015 CUSIP® data in this Official Statement is provided by CUSIP Global Services managed by S&P Capital IQ, 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 Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Community Facilities District nor the Underwriter takes any responsibility for the accuracy of CUSIP data in this Official Statement.

**COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)**

**COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

BOARD OF SUPERVISORS

Marion Ashley, Fifth District, Chairman
John Benoit, Fourth District,
Kevin Jeffries, First District
John Tavaglione, Second District
Chuck Washington, Third District

COUNTY OFFICIALS

Jay Orr, County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Peter Aldana, Assessor-County Clerk-Recorder
Gregory Priamos, County Counsel

SPECIAL SERVICES

Bond Counsel

Orrick Herrington & Sutcliffe, LLP
Los Angeles, California

Disclosure Counsel

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

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Special Tax Consultant

Albert A. Webb Associates
Riverside, California

Trustee

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the County, the Community Facilities District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Series 2015 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the Community Facilities District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 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 Beneficial Owners of the Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board, or a nationally recognized municipal securities depository.

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 part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in APPENDIX F — “BOOK-ENTRY AND DTC” attached hereto has been furnished by The Depository Trust Company, and no representation has been made by the Community Facilities District or the County or the Underwriter as to the accuracy or completeness of such information.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the County or the Community Facilities District. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Community Facilities District or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the County for further information in connection therewith.

A wide variety of other information, including financial information, concerning the County, is available from publications and websites of the County and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement.

Cautionary Information Regarding Forward-Looking Statements in the Official Statement

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.

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. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Appendix D, neither the County nor the Community Facilities District plans to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

In connection with the offering of the Series 2015 Bonds, the Underwriter may overallocate 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 Underwriter may offer and sell the Series 2015 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

The Series 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Series 2015 Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

\$23,950,000*
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2015

INTRODUCTION

General

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, including the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Series 2015 Bonds (defined below) 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 C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions” herein.

The purpose of this Official Statement, which includes the cover page, the inside cover page, the table of contents and the attached appendices (collectively, the “Official Statement”), is to provide certain information concerning the issuance by Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “Community Facilities District”) of the \$23,950,000* Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the “Series 2015 Bonds”). The proceeds of the Series 2015 Bonds, together with certain existing funds of the Community Facilities District, will be used to (i) provide additional funding for certain public infrastructure improvements relating to the extension of Clinton Keith Road, (ii) fund a deposit to the Reserve Fund, and (iii) pay costs of issuance of the Series 2015 Bonds. See “SOURCES AND USES OF FUNDS” herein.

The Series 2015 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 an Indenture of Trust dated as of August 1, 2015 (the “Indenture”) by and between the Community Facilities District and U.S. Bank National Association (the “Trustee”). Upon their issuance, the Series 2015 Bonds will be the only outstanding bonds of the Community Facilities District and will be secured under the Indenture by a pledge of and lien upon Net Special Taxes Revenues (as defined herein) and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund as described in the Indenture.

Under the terms of the Indenture, under certain conditions the Community Facilities District may issue additional bonds secured by the Net Special Tax Revenues of the Community Facilities District on a parity with the Series 2015 Bonds (“Additional Bonds”). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds.” The term “Bonds” means the Series 2015 Bonds together with any Additional Bonds.

The Community Facilities District

Formation Proceedings. The Community Facilities District was formed by the County of Riverside, California (the “County”) pursuant to the Act.

* Preliminary, subject to change.

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. 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 of the property owners within such district 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 Board of Supervisors of the County adopted the necessary resolutions stating its intent to establish the Community Facilities District, to authorize the levy of Special Taxes on taxable property within the boundaries of the Community Facilities District, and to have the Community Facilities District incur bonded indebtedness. Subsequently, the Board of Supervisors approved the resolution of intention to approve an amended and restated rate and method of apportionment of the Special Taxes for the Community Facilities District (the "Rate and Method"). Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors of the County adopted resolutions establishing the Community Facilities 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 Community Facilities District. On June 12, 2007, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the Community Facilities District, authorized the Community Facilities District to incur bonded indebtedness in an aggregate principal amount not to exceed \$60,000,000 and approved the Rate and Method to pay the principal of and interest on the bonds of the Community Facilities District. The Rate and Method is set forth in APPENDIX A hereto. The Board of Supervisors of the County acts as the legislative body of the Community Facilities District.

The Community Facilities District was formed to finance various public improvements needed as a result of the proposed development within the Community Facilities District, including the widening of the interchange at Interstate 215, the extension of the Clinton Keith Road between Antelope Road in the City of Murrieta and SR-79 (the "Clinton Keith Road Extension"), including bridge facilities and appurtenances thereto, street improvements including grading, paving, curbs and gutters, sidewalks, street signalization and signage, street lights and parkway and landscaping related thereto, storm drain facilities, environmental mitigation facilities needed in connection therewith, and land, rights-of-way and easement necessary for any of such facilities (the "Facilities"). Phase 1 of the Clinton Keith Road Extension is complete, and the total cost of Phase 2 is estimated at \$39,500,000, of which approximately \$23,000,000 will be paid for by the Community Facilities District. See "-The Project" below.

The Series 2015 Bonds will finance additional Facilities. See "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities; Facilities Financing Plan." Additional Bonds may be issued to fund additional Facilities after further development occurs. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds" and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality." The County has determined that the Facilities are regional transportation facilities necessary to support development in the Community Facilities District and surrounding areas.

The County has adopted Local Goals and Policies for Land Secured Financing Community Facilities Districts, which establishes several categories of community facilities districts that will be used by the County to finance various types of public facilities. The Community Facilities District fits within the category known as a "Critical Transportation Corridor Improvement Program Community Facilities District" (a "CTCIP CFD") established to finance the Facilities. See "THE SERIES 2015 BONDS — Authority for Issuance" and "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities; Facilities Financing Plan."

The Project. The Clinton Keith Road Extension includes the construction of Clinton Keith Road as a 6 lane urban arterial from Antelope Road to SR-79. The Clinton Keith Road Extension is being constructed in

phases. Phase 1 construction, which includes the area from Antelope Road to Whitewood Road, was recently completed by the City of Murrieta. Phase 2 of the Clinton Keith Road Extension, for which the Series 2015 Bonds are in part being issued, includes the construction of a 1/2 width (three lane) section from Whitewood Road to 1.7 miles easterly to Trois Valley Street, in addition to the installation of a traffic signal at Trois Valley Street. The section of Clinton Keith Road from Trois Valley Street to Leon Road is an existing full width, six lane section built by a developer. Phase 3 of the Clinton Keith Road Extension includes construction from Leon Road to south of French Valley Creek, including the French Valley Creek Bridge, and a traffic signal at Leon Road/Clinton Keith Road. The approved Regency development located at the northwest corner of SR-79 and future Clinton Keith Road has approvals to extend the road from the County's Phase 3 improvements at French Valley Creek and connect to SR-79. Phase 4 will complete the remaining half width of the road and install a traffic signal at Menifee Road/Clinton Keith Road.

The total cost of Phase 2 of the Clinton Keith Road Extension, is estimated to be \$39,500,000. The Community Facilities District has obtained \$16,500,000 in Measure A Regional Arterial funds from the Riverside County Transportation Commission, which provides funds for regional arterial systems. The Series 2015 Bonds are being issued, in part, to finance the remaining costs of the Community Facilities District associated with Phase 2, estimated at \$23,000,000. Upon completion, SR-79 will be accessible by way of Leon Road and Max Gillis Boulevard.

Development Status. The Community Facilities District consists of a number of noncontiguous properties located mostly in an unincorporated portion of the County, also known as French Valley, with a small portion located in the City of Murrieta. The Community Facilities District is approximately 10 miles north of the City of Temecula, 35 miles southeast of the City of Riverside, 90 miles southeast of the City of Los Angeles, and 60 miles north of the City of San Diego. The Community Facilities District is located east of Interstate 215 which is a major freeway connecting the cities of Riverside and San Diego.

Under the Rate and Method, property is classified based on its development status as of April 1, 2015. As of April 1, 2015, the Community Facilities District contains 1,479 taxable parcels, of which pursuant to the Rate and Method 1,068 parcels are classified as Developed Property (taxable property for which a final map has been recorded as of January 1 preceding the current fiscal year, and a building permit has been obtained as of April 1 for the following fiscal year tax levy), 357 parcels are classified as Approved Property (taxable property for which a final map has been recorded but for which a building permit has not been obtained as of April 1 for the following fiscal year special tax levy), and 54 parcels representing approximately 457.02 acres are classified as Undeveloped Property (taxable property for which no final map has been recorded and no building permit obtained as of January 1 for the following fiscal year special tax levy), all as pursuant to the Rate and Method of Apportionment.

As of April 1, 2015, the total acreage of the taxable parcels within the Community Facilities District is approximately 704.26 acres, comprised of approximately 180.88 acres of Developed Property, approximately 66.36 acres of Approved Property, and approximately 457.02 acres of Undeveloped Property. As of April 1, 2015, within the Community Facilities District, there are 1,068 parcels of Developed Property, comprising 890 completed single family units and 113 multi-family units which have been completed and conveyed to individual homeowners as of June 22, 2015, and 65 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units.

Special Taxes from Developed Property and Approved Property are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds plus administrative expenses of the Community Facilities District. Undeveloped Property is not expected to be levied by the Community Facilities District until such parcels become Developed Property or Approved Property or Additional Bonds are issued. See "THE COMMUNITY FACILITIES DISTRICT" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds." However, Additional Bonds may be issued under certain conditions on a parity with the Series 2015 Bonds which could potentially cause a portion of the debt service on the Series 2015 Bonds to be expected to be payable from Special Taxes from Undeveloped Property. See

“THE COMMUNITY FACILITIES DISTRICT,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds” and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

According to the Riverside County Assessor’s Office, as of March 5, 2015, the preliminary assessed value for Fiscal Year 2015-16 for the January 1, 2015 lien date of the property within the Community Facilities District classified as Developed Property for the Fiscal Year 2015-16 Special Tax levy was \$336,414,592. Additionally, the Fiscal Year 2015-16 assessed value of all the taxable property within the Community Facilities District was \$373,245,379 resulting in an estimated assessed value-to-lien ratio of approximately 6.50*-to-1 for Developed Property, Approved Property, and Undeveloped Property based on the principal amount of the Series 2015 Bonds (allocated to each parcel of Developed Property within the Community Facilities District based on the proportion of the Fiscal Year 2014-15 Special Taxes on such parcels) and other overlapping debt secured by *ad valorem* taxes, special taxes and assessments and overlapping general obligation debt on such property. The estimated assessed value-to-lien ratio is approximately 8.51*-to-1 for Developed Property, Approved Property and Undeveloped Property based on the principal amount of the Series 2015 Bonds and other overlapping debt secured by special taxes and assessments. See “THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios” herein.

Security and Sources of Payment for the Series 2015 Bonds

General. The Series 2015 Bonds are limited obligations of the Community Facilities District, and the interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds are payable solely from Net Special Tax Revenues (described below) to be levied annually against the property in the Community Facilities District, and other amounts on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund. As described herein, the Special Taxes are collected along with *ad valorem* property taxes on the tax bills mailed by the Treasurer-Tax Collector of Riverside County. Although the Special Taxes will constitute a lien on the property subject to taxation in the Community Facilities District, they will not constitute a personal indebtedness of the owners of such property. There is no assurance that such owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if they are financially able to do so.

Net Special Tax Revenues. Under the Indenture, the Community Facilities District has pledged to repay the Series 2015 Bonds from Net Special Tax Revenues and other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Net Special Tax Revenues consist of Special Tax Revenues less the amount required to pay Administrative Expenses. Special Tax Revenues are defined in the Indenture to include the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, 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 proceeds of any security for payment of Special Taxes taken in lieu of foreclosure after payment of administrative costs and attorneys’ fees payable from proceeds of such redemption, sale or security.

The Net Special Tax Revenues are the primary security for the repayment of the Series 2015 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 Series 2015 Bonds are amounts held by the Trustee in the Special Tax Fund, the Bond Fund and the Reserve Fund. Amounts held in the Improvement Fund, the Rebate Fund and the Administrative Expense Fund are not available to pay the debt service on the Series 2015 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS.”

* Preliminary, subject to change.

Proceeds of Foreclosure Sales. Pursuant to Section 53356.1 of the Act and the Indenture, the Community Facilities District will covenant in the Indenture with and for the benefit of the Owners of the Series 2015 Bonds and any additional bonds issued pursuant to the Indenture that the Community Facilities District will commence appropriate judicial foreclosure proceedings against parcels with total Special Tax delinquencies in excess of \$5,000 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Special Taxes were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings. However, notwithstanding the foregoing, the Community Facilities District may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys' fees related to a Special Tax delinquency, if permitted by law. Additionally, notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Special Tax delinquency and in such cases foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales."

There is no assurance that the property within the Community Facilities District can be sold for the assessed values described herein, or for a price sufficient to pay the principal of and interest on the Series 2015 Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the Community Facilities District. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios" herein.

EXCEPT FOR THE NET SPECIAL TAX REVENUES AND AMOUNTS HELD IN THE SPECIAL TAX FUND, THE BOND FUND AND THE RESERVE FUND, NO OTHER FUNDS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY BUT ARE SPECIAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND AMOUNTS HELD IN THE SPECIAL TAX FUND, THE BOND FUND AND THE RESERVE FUND UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE COUNTY, OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS.

Under the terms of the Indenture, under certain conditions the Community Facilities District may issue Additional Bonds secured by the Net Special Tax Revenues of the Community Facilities District on a parity with the Series 2015 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds."

Description of the Series 2015 Bonds

The Series 2015 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 Series 2015 Bonds (the "Beneficial Owners") in the denominations of \$5,000 or an integral multiple thereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series 2015 Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Series 2015 Bonds, the Series 2015 Bonds will be registered and transferred in accordance with the Indenture. See APPENDIX F — "BOOK-ENTRY AND DTC" herein.

Principal of, premium, if any, and interest on the Series 2015 Bonds is payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Series 2015 Bonds, the Beneficial Owners will become the registered owners of the Series 2015 Bonds and will be paid principal and interest by the Trustee, all as described herein. See APPENDIX F — “BOOK-ENTRY AND DTC” herein.

The Series 2015 Bonds are subject to optional redemption, mandatory redemption from Special Tax prepayments and mandatory sinking fund redemption as described herein. For a more complete description of the Series 2015 Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE SERIES 2015 BONDS” and APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2015 Bonds. See “LEGAL MATTERS — Tax Matters.”

Professionals Involved in the Offering

U.S. Bank National Association will act as Trustee under the Indenture. Piper Jaffray & Co. (the “Underwriter”) is the Underwriter of the Series 2015 Bonds. Certain proceedings in connection with the issuance and delivery of the Series 2015 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District. See APPENDIX E — “FORM OF OPINION OF BOND COUNSEL.” Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the Community Facilities District with respect to the Series 2015 Bonds. Fieldman, Rolapp & Associates is acting as Financial Advisor to the County in connection with the Series 2015 Bonds. Certain legal matters will be passed upon for the County and the Community Facilities District by County Counsel, and for the Underwriter by McFarlin & Anderson LLP, as Underwriter’s Counsel. Other professional services have been performed by Albert A. Webb Associates, as Special Tax Consultant.

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 Series 2015 Bonds, see “LEGAL MATTERS — Financial Interests” herein.

Continuing Disclosure

The Community Facilities District will enter into a Continuing Disclosure Agreement, dated as of August 1, 2015, with the Trustee (the “Continuing Disclosure Agreement”) pursuant to which the Community Facilities District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) system by April 1 of each year following the end of each fiscal year, commencing April 1, 2016, certain annual financial information and operating data. The Community Facilities District will further agree to provide notice of certain listed events. These covenants will be made in order to assist the Underwriter in complying with Securities and Exchange Commission

Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE" herein and APPENDIX D hereto for a description of the specific nature of the annual reports to be filed by the Community Facilities District and notices of listed events to be provided by the Community Facilities District.

Bond Owners' Risks

Certain events could affect the timely repayment of the principal of and interest on the Series 2015 Bonds when due. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain factors which should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2015 Bonds. The Series 2015 Bonds are not rated by any nationally recognized rating agency. *The purchase of the Series 2015 Bonds involves significant investment risks, and the Series 2015 Bonds may not be suitable investments for many investors.* See "SPECIAL RISK FACTORS" herein.

Other Information

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

Brief descriptions of the Series 2015 Bonds and the Indenture are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Series 2015 Bonds and the constitution and laws of the State as well as the proceedings of the Board of Supervisors of the County, acting as the legislative body of the Community Facilities District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the Series 2015 Bonds, by reference to the Indenture.

Copies of the Indenture, the Continuing Disclosure Agreement and other documents and information referred to herein are available for inspection and (upon request and payment to the County of a charge for copying, mailing and handling) for delivery from the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Corporate Trust Department.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2015 Bonds will be deposited into the following respective accounts and funds established by the Community Facilities District under the Indenture, as follows:

Sources:	
Principal Amount of Bonds	\$
[Plus/Less [Net] Original Issue Premium/Discount]	
Total Sources	<u>\$</u>
 Uses:	
Reserve Fund ⁽¹⁾	\$
Costs of Issuance Fund ⁽²⁾	
Improvement Fund	
Total Uses	<u>\$</u>

⁽¹⁾ Equal to the Reserve Requirement with respect to the Series 2015 Bonds as of the date of delivery of the Series 2015 Bonds.
⁽²⁾ Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the cost of printing the preliminary and final Official Statements, fees and expenses of the Trustee, Special Tax Consultant, the Financial Advisor, and the Underwriter's Discount.

THE SERIES 2015 BONDS

Authority for Issuance

The Series 2015 Bonds will be issued pursuant to the Act, the Indenture and the Resolution Authorizing Issuance of the Series 2015 Bonds adopted by the Board of Supervisors of the County of Riverside, acting as the legislative body of the Community Facilities District (the "Legislative Body"), on July 7, 2015, as Resolution No. 2015-__.

As required by the Act, the Legislative Body has taken the following actions with respect to establishing the Community Facilities District and authorizing issuance of the Series 2015 Bonds:

Resolutions of Intention: On May 8, 2007, the Board of Supervisors adopted Resolution No. 2007-189 stating its intention to establish the Community Facilities District and to authorize the levy of a special tax therein pursuant to the Rate and Method. On May 8, 2007, the Board of Supervisors adopted Resolution No. 2007-190 stating its intention to incur bonded indebtedness in an amount not to exceed \$60,000,000 with respect to the Community Facilities District. The Community Facilities District proceedings authorize Special Taxes to be used to pay directly for Facilities. See "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities; Facilities Financing Plan." On June 12, 2007, the Board of Supervisors adopted Resolution No. 2007-287 which approved an Amended and Restated Rate and Method of Apportionment (the "Rate and Method").

Resolution of Formation: Following a noticed public hearing on June 12, 2007, the Board of Supervisors adopted Resolution No. 2007-286 (the "Resolution of Formation"), establishing the Community Facilities District and authorizing the levy of a special tax within the Community Facilities District pursuant to the Rate and Method. Resolution No. 2007-286 also called an election for the purpose of submitting the propositions to incur bonded indebtedness, to levy a special tax within the Community Facilities District and to establish an appropriations limit for the Community Facilities District to the qualified electors of the Community Facilities District.

Resolution of Necessity: On June 12, 2007, the Board of Supervisors, acting as the Legislative Body of the Community Facilities District, adopted Resolution No. CFD 2007-04 deeming it necessary to incur bonded indebtedness in an amount not to exceed \$60,000,000 within the Community Facilities District.

Landowner Election and Declaration of Results: On June 12, 2007, a special election was held within the Community Facilities District, in which the landowners eligible to vote, being the qualified electors, approved the ballot proposition to incur bonded indebtedness in a maximum amount of \$60,000,000, to levy a special tax within the Community Facilities District and to establish an appropriations limit for the Community Facilities District.

On June 19, 2007, the Legislative Body adopted Resolution No. CFD 2007-06 declaring the results of the special election.

Ordinance Levying Special Taxes: On June 26, 2007, the Board of Supervisors adopted Ordinance No. 870 (the "Ordinance") authorizing the levy of the Special Tax within the Community Facilities District.

Special Tax Lien and Levy: A Notice of Special Tax Lien for the Community Facilities District was recorded in the real property records of the County on June 21, 2007, as Document No. 2007-0405337.

General Provisions

The Series 2015 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1,

commencing on March 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 Series 2015 Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiples thereof. So long as the Series 2015 Bonds are held in book-entry form, principal and interest on the Series 2015 Bonds will be paid to DTC for subsequent disbursement to DTC Participants who are to remit such payments to the Beneficial Owners in accordance with DTC procedures. See APPENDIX F — “BOOK-ENTRY AND DTC.”

Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. Interest on any Series 2015 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Series 2015 Bond, unless (i) a Series 2015 Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a business day (the “Record Date”), in which event interest thereon shall be payable from such Interest Payment Date, (ii) a Series 2015 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any Series 2015 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has previously been paid or duly provided for.

Interest shall be paid by check of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owners of the Series 2015 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date, or by wire transfer at the written request of an Owner of not less than \$1,000,000 aggregate principal amount of Series 2015 Bonds, which written request is received by the Trustee on or prior to the Record Date.

The principal of the Series 2015 Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

Debt Service Schedule

The following table presents the annual debt service on the Series 2015 Bonds, assuming there are no redemptions other than mandatory sinking fund redemptions. However, it should be noted that the Rate and Method allows prepayment of the Special Taxes in full or in part and the Indenture requires redemption of Series 2015 Bonds on any Interest Payment Date from the proceeds of any prepayments of Special Taxes. Additionally, the Series 2015 Bonds are subject to optional redemption as described herein. See "THE SERIES 2015 BONDS — Redemption."

<i>Period Ending September 1</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
Totals	\$ _____	\$ _____	\$ _____

Source: Underwriter.

Redemption

Optional Redemption. * The Series 2015 Bonds maturing on or after September 1, 20__ are subject to optional redemption, in whole or in part in denominations of \$5,000 or integral multiples thereof on any date on or after September 1, 20__, from any source of available funds, at a Redemption Price equal to the principal

* Preliminary, subject to change.

amount of the Series 2015 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Mandatory Redemption from Special Tax Prepayments.* The Series 2015 Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date on or after March 1, 2016, from and to the extent of any prepaid Special Taxes deposited in the Redemption Fund, at the following respective Redemption Prices (expressed as percentages of the principal amount of the Series 2015 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
March 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 each Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption.* The Series 2015 Bonds maturing September 1, 20__ (the “20__ Term Bonds”) shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the 20__ Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount to be Redeemed</i>
---	--

(maturity)

The Series 2015 Bonds maturing September 1, 20__ (the “20__ Term Bonds”) shall be subject to mandatory sinking fund redemption, in part, on September 1 in each year, commencing September 1, 20__, at a Redemption Price equal to the principal amount of the 20__ Term Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

<i>Sinking Fund Redemption Date (September 1)</i>	<i>Principal Amount to be Redeemed</i>
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(maturity)

If some but not all of the Series 2015 Term Bonds of a maturity are redeemed pursuant to the optional redemption provisions of the Indenture described above, the principal amount of such Series 2015 Term Bonds to be redeemed described above on any subsequent September 1 shall be reduced, by \$5,000 or an integral multiple thereof, as designated by the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of Series 2015 Term Bonds so optionally redeemed.

If some but not all of the Series 2015 Term Bonds of a maturity are redeemed pursuant to the mandatory redemption from Special Tax Prepayments provisions of the Indenture, the principal amount of such Series 2015 Term Bonds to be redeemed described above on any subsequent September 1 shall be reduced by the aggregate principal amount of the Series 2015 Term Bonds so redeemed, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Community Facilities District.

Notice of Redemption. So long as the Series 2015 Bonds are held by DTC, all notices of redemption will be sent only to DTC in accordance with its procedures and will not be delivered to any Beneficial Owner. The Trustee is obligated to mail, at least 30 days but not more than 60 days prior to the date of redemption, notice of intended redemption, by first-class mail, postage prepaid, to the original purchasers of the Series 2015 Bonds and the registered Owners of the Series 2015 Bonds at the addresses appearing on the Bond registration books. Such notice must state the date of the notice, the redemption date, the redemption place and the Redemption Price and designate the CUSIP numbers, if any, the Series 2015 Bond numbers and the maturity or maturities of the Series 2015 Bonds to be redeemed (except in the event of redemption of all of the Series 2015 Bonds of such maturity or maturities in whole), and shall require that such Series 2015 Bonds be then surrendered at the Office of the Trustee for redemption at the Redemption Price, giving notice also that further interest on such Series 2015 Bonds will not accrue from and after the date fixed for redemption.

Neither the failure to receive such notice nor any defect in such notice will affect the validity of the proceedings for redemption of such Series 2015 Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption.

With respect to any notice of any optional redemption of Series 2015 Bonds, unless at the time such notice is given the Series 2015 Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the principal of and premium, if any, on the Series 2015 Bonds on the date fixed for redemption (the "Redemption Price"), and accrued interest on, the Series 2015 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Community Facilities District shall not be required to redeem such Series 2015 Bonds. In the event a notice of redemption of Series 2015 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2015 Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the Persons and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2015 Bonds pursuant to such notice of redemption.

Effect of Redemption. When notice has been mailed as provided in the Indenture, and moneys for the Redemption Price, and the interest to the applicable date fixed for redemption, having been set aside with the Trustee, the Series 2015 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2015 Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said date fixed for redemption, moneys for the Redemption Price of all the Series 2015 Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Series 2015 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2015 Bonds shall be held in trust for the account of the Owners of the Series 2015 Bonds so to be redeemed without liability to such Owners for interest thereon.

Registration, Transfer and Exchange

Registration. The Trustee will keep sufficient books for the registration and transfer of the Series 2015 Bonds. The ownership of the Series 2015 Bonds will be established by the bond registration books held by the Trustee.

Transfer or Exchange. Whenever any Series 2015 Bond is surrendered for registration of transfer or exchange, the Community Facilities District shall execute and the Trustee will authenticate and deliver a new Series 2015 Bond or Series 2015 Bonds of the same maturity, for a like aggregate principal amount of authorized denominations; provided that the Trustee will not be required to register transfers or make exchanges of (i) Series 2015 Bonds for a period of 15 days next preceding the date of any selection of the Series 2015 Bonds to be redeemed, or (ii) any Series 2015 Bonds chosen for redemption. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS

Covenants and Warranties

The Community Facilities District will covenant in the Indenture to comply with the covenants and warranties therein, which will be in full force and effect upon the issuance of the Series 2015 Bonds. See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants.”

Special Obligations

The Series 2015 Bonds are special obligations of the Community Facilities District, and the interest on and principal of and redemption premiums, if any, on the Series 2015 Bonds are payable solely from Net Special Tax Revenues (described below) to be levied annually against the property in the Community Facilities District, and other amounts on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund.

Under the Indenture, the Community Facilities District has pledged to repay the Series 2015 Bonds from Net Special Tax Revenues and other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund established under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. Net Special Tax Revenues consist of Special Tax Revenues less the amount required to pay Administrative Expenses. Special Tax Revenues are defined in the Indenture to include the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, 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 proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes and any proceeds of any security for payment of Special Taxes taken in lieu of foreclosure after payment of administrative costs and attorneys' fees payable from proceeds of such redemption, sale or security.

The Net Special Tax Revenues are the primary security for the repayment of the Series 2015 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 Series 2015 Bonds are amounts held by the Trustee in the Special Tax Fund, the Bond Fund and the Reserve Fund. Amounts held in the Rebate Fund and the Administrative Expense Fund are not available to pay the debt service on the Series 2015 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS.”

EXCEPT FOR THE NET SPECIAL TAX REVENUES AND AMOUNTS HELD IN THE SPECIAL TAX FUND, THE BOND FUND AND THE RESERVE FUND, NO OTHER FUNDS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS. NEITHER THE FAITH AND CREDIT NOR THE

TAXING POWER OF THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE COUNTY, OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS.

Collection of Special Taxes

The Rate and Method provides that the Special Taxes are payable and will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that the Community Facilities District may directly bill the Special Taxes and may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

Because the Special Tax levy is limited to the Maximum Special Tax rates set forth in the Rate and Method, no assurance can be given that, in the event of Special Tax delinquencies, the Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.

Although the Special Taxes, when levied, will constitute a lien on parcels subject to taxation, they do not constitute a personal indebtedness of the owners of property. There is no assurance that the owners of real property will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. See also, "SPECIAL RISK FACTORS" herein.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY NOR GENERAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Rate and Method

General. On June 12, 2007, the Board of Supervisors established the Community Facilities District. The Community Facilities District is authorized to levy and collect the Special Tax to finance the Facilities pursuant to and in accordance with the Rate and Method, a copy of which is set forth in APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE." Capitalized terms used under this caption "Rate and Method" shall have the meanings set forth in the Rate and Method attached as Appendix A.

The qualified electors of the Community Facilities District approved the Rate and Method at an election held on June 12, 2007.

Rate and Method. The Rate and Method contains the provisions by which the Legislative Body may annually levy the Special Taxes on Taxable Property within the Community Facilities District up to the applicable Maximum Special Tax to pay for the Special Tax Requirement. The Bonds will be secured by the annual Special Taxes levied pursuant to the Rate and Method. The Rate and Method provides that the Special Tax shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall it be levied after Fiscal Year 2044-45 or the stated maturity of the Bonds, whichever is sooner.

Special Tax Requirement. The Special Tax Requirement is defined in the Rate and Method as the amount required in each Fiscal Year to pay: (i) annual debt service on all Outstanding Bonds due in the

calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction costs of facilities authorized to be financed by the Community Facilities District, provided such amount does not cause an increase in the Special Tax levy on Approved Property or Undeveloped Property; and (vi) any amounts required to establish or replenish any reserve funds for the Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

Method of Apportionment. The Rate and Method provides that the Legislative Body shall levy the Special Tax on all Taxable Property in accordance with the following steps in order to collect Special Taxes sufficient to satisfy the Special Tax Requirement:

First: Prior to the issuance of Bonds, the Special Tax shall be levied on each Parcel of Developed Property at 100% of the applicable Assigned Special Tax to be applied to the cost of the facilities authorized to be financed by the Community Facilities District; subsequent to the issuance of the Bonds, the Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax, as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Assigned Special Tax, as needed to satisfy the Special Tax Requirement;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

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 on each Parcel of Approved Property and/or Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

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 each Parcel of Property Owners' Association Property that is not Exempt Property at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Sixth: If additional moneys are needed to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Public Property that is not Exempt Property, at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances shall the Special Taxes levied against any Parcel of Developed Property that is Residential Property be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the Community Facilities District by more than ten percent (10%).

Taxable Property and Exempt Property. The Rate and Method declares that for each Fiscal Year, each Parcel shall be categorized as either Developed Property, Approved Property, Undeveloped Property, Public Property, Property Owners' Association Property, or Exempt Property and shall be subject to the levy of Special Taxes in accordance with the Rate and Method. Developed Property and Approved Property shall

further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall be further classified as Single Family Property or Multifamily Property.

(i) “Approved Property” means, for each Fiscal Year, all parcel(s), lot(s) or units(s) of Taxable Property not classified as Public Property or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a Building Permit prior to the April 1st preceding said Fiscal Year.

(ii) “Developed Property” means, for each Fiscal Year, all parcel(s), lot(s) or unit(s) of Taxable Property, not classified as Public Property or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year and (ii) for which a Building Permit has been issued prior to April 1st of the preceding Fiscal Year.

(iii) “Exempt Property” means, for each Fiscal Year any Parcel which is exempt from Special Taxes pursuant to the Rate and Method. See Section E in APPENDIX A — “AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE.”

(iv) “Multifamily Property” means, for each Fiscal Year, any parcel, lot or unit of Residential Property for which a building permit can or has been issued for attached or detached residential units in a development that has a density of greater than eight (8) Residential Dwelling Units per gross acre, as recorded on a Final Map or as determined by the Administrator.

(v) “Single Family Property” means, for each Fiscal Year, any parcel, lot or unit of Residential Property for which a building permit can or has been issued for attached or detached residential units in a development that has a density of eight (8) Residential Dwelling Units to the gross acre or less, as recorded on a Final Map or as determined by the Administrator.

(vi) “Non-Residential Property” means, for each Fiscal Year, all Parcels of Developed Property and Approved Property for which a Building Permit can or has been issued for any type of non-residential use, as determined by the Administrator.

(vii) “Multiple Land Use Property” means, for each Fiscal Year, all parcels of Developed Property and Approved Property assigned to more than one Land Use Category (e.g. one structure containing both Non-Residential Property and Residential Property), as determined by the Administrator.

(viii) “Property Owners’ Association Property” means, for each Fiscal Year, any Parcel which, as of the January 1 preceding said Fiscal Year, is owned by a property owners’ association, including any master or sub-association or is identified on a Final Map as common area to be owned by a property owners’ association. Property Owners’ Association Property includes but is not limited to property dedicated and restricted for the use as streets, open space, park, habitat reserve, clubhouse or recreational facilities.

(ix) “Public Property” means, for each Fiscal Year, any Parcel within the boundary of the Community Facilities District which, as of the January 1 preceding said Fiscal Year, is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other public agency, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement; provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use. Public Property includes but is not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools, or property dedicated and restricted for the use as open space, park or habitat reserve.

(x) “Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Public Property, or Property Owners’ Association Property and which is not otherwise Exempt Property pursuant to the Rate and Method.

Maximum Special Tax. The Maximum Special Tax is defined in the Rate and Method as follows:

(i) The Maximum Special Tax for each Parcel of Undeveloped Property, Property Owners’ Association Property and Public Property is \$7,716.55 per Acre, times the Acreage of the Parcel, for Fiscal Year 2015-16. This rate increases by 2.00% each July 1, commencing July 1, 2016.

(ii) The Maximum Special Tax for each Parcel of Developed Property that is Single Family or Multifamily Property, or Approved Property is the greater of the applicable Assigned Special Tax or the amount derived by application of the Backup Special Tax.

Assigned Special Tax. The Assigned Special Tax for any parcel of Approved Property or Developed Property, except for Multiple Land Use Property, is \$1,229.07 per Residential Dwelling Unit (“RDU”) for the Parcels which were classified as Single Family Property for Fiscal Year 2015-16; \$931.47 for Parcels which were classified as Multifamily Property for Fiscal Year 2015-16, and \$7,716.55 per acre for Parcels that were classified as Non-Residential Property for Fiscal Year 2015-16. The Assigned Special Tax increases by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal year, for each Fiscal Year following Fiscal Year 2015-16.

Backup Special Tax.

(i) If the number of RDU of Single Family Property or Multifamily Property in a specific Final Map is equal to or greater than the proposed number of such RDUs listed in Table 2 of the Rate and Method for the corresponding Final Map, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property that is Developed Property or Approved Property shall be the Assigned Special Tax for such Parcel at the time such Taxable Property becomes Developed Property or Approved Property.

(ii) If the number of RDU of Single Family Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 of the Rate and Method for the corresponding Final Map, then the Backup Special Tax for each RDU of Single Family Property within said Final Map shall equal (x) the number of RDUs of Single Family Property identified in Table 2 of the Rate and Method multiplied by the Assigned Special Tax for Single Family Property shown in the Rate and Method, as increased in accordance with the Rate and Method, divided by (y) the number of RDUs of Single Family Property within such Final Map.

(iii) If the number of RDUs of Single Family Property in a specific Final Map is subsequently changed or modified, then the Backup Special Tax shall be recalculated for each RDU of Single Family Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each such RDU of Single Family Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in such Final Map divided by the number of RDUs of Single Family Property within such changed or modified area after the change or modification in such Final Map. For a Parcel of Single Family Property that is not changed or modified by changes or modifications to a Final Map, the Backup Special Tax shall not be recalculated.

(iv) If the number of RDU of Multifamily Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 of the Rate and Method for the corresponding Final Map, then the Backup Special Tax for each RDU of Multifamily Property within said Final Map shall equal (x) the number of RDUs of Multifamily Property identified in Table 2 of the Rate and Method multiplied by the Assigned Special Tax for Multifamily Property shown in the Rate and Method as increased in accordance with the Rate and Method, divided by (y) the number of RDUs of Multifamily Property within such Final Map.

(v) If the number of RDUs of Multifamily Property in a specific Final Map is subsequently changed or modified, then the Backup Special Tax shall be recalculated for each RDU of Multifamily Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each such RDU of Multifamily Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in such Final Map divided by the number of RDUs of Multifamily Property within such changed or modified area after the change or modification in such Final Map. For a Parcel of Multifamily Property that is not changed or modified by changes or modifications to a Final Map, the Backup Special Tax shall not be recalculated.

Multiple Land Use Property. In some instances a Parcel of Developed Property or Approved Property may be assigned to more than one Land Use Category. The Assigned Special Tax levied on such a Parcel shall be the sum of the Assigned Special Tax levies for all Land Use Categories located on such Parcel. The Backup Special Tax levied on a Parcel shall be the sum of the Backup Special Tax levies that can be imposed on all Land Use Categories located on such Parcel. The Maximum Special Tax levied on a Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Categories located on such Parcel.

For purposes of calculating the Backup Special Tax for each Land Use Category under such circumstances, the Acreage assigned to each Land Use Category shall be based on the proportion of Residential Floor Area or Non-Residential Floor Area that is built for each Land Use Category as compared with the Total Floor Area built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

Prepayment of Special Taxes. The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a Building Permit has been issued, or Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the Rate and Method. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described in the Rate and Method; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment.

No Special Tax prepayment in full or prepayment in part shall be allowed unless the amount of Maximum Special Taxes, based on the categorization and classification under the Rate and Method of all Parcels on the date of the calculation, that may be levied on Taxable Property in each Fiscal Year commencing with the Fiscal Year of the proposed prepayment is at least equal to the sum of (a) 1.1 times the debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year (assuming a full year's debt service); plus (b) the Administrative Expenses for such Fiscal Year.

In addition, an owner of a Developed Property may partially prepay the Maximum Special Tax as specified in APPENDIX A — "AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE" herein.

No Obligation of the County Upon Delinquency

The County is under no obligation to transfer any funds of the County into the Special Tax Fund for payment of the principal of or interest on the Bonds if a delinquency occurs in the payment of any Special Taxes. "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales" for a discussion of the County's obligation to foreclose on Special Tax liens upon delinquencies.

Coverage and Source of Annual Debt Service

Annual debt service on the Series 2015 Bonds is payable from Net Special Tax Revenues levied and collected on property categorized as Taxable Property in the Community Facilities District in each Fiscal Year. Based on the development status within the Community Facilities District as of April 1, 2015, assuming no delinquencies, the Maximum Special Taxes that could be levied on the owners of all Developed Property and Approved Property within the Community Facilities District in each fiscal year were not less than 110% of debt service due in the corresponding fiscal year on the Series 2015 Bonds plus the Community Facilities District's estimated Administrative Expenses. Assuming no delinquencies, the Fiscal Year 2015-16 Special Tax levy is projected to be paid from approximately 93.67% Developed Property and approximately 6.33% Approved Property, with no Special Tax levy on Undeveloped Property. However, Special Taxes may only be levied within the limits of the Rate and Method and the Act (specifically, the Maximum Special Tax and the requirement under the Act that under no circumstances shall the Special Taxes levied against any Parcel of Residential Property, as defined in the Rate and Method, be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel within the Community Facilities District). As a result, it is possible that the Community Facilities District may not be able to levy Special Taxes at the full amount of the Maximum Special Tax rates, as a result of high delinquencies. Additional debt service coverage on the Series 2015 Bonds plus estimated Administrative Expenses may be derived from Undeveloped Property. Moreover, the coverage from Maximum Special Taxes from all Taxable Property, including Developed Property, Approved Property and Undeveloped Property, could be reduced to as low as 110% of maximum annual debt service plus estimated Administrative Expenses in the event that the maximum amount of Additional Bonds are issued in accordance with the Indenture, and the coverage from Developed Property could be reduced substantially. See "— Additional Bonds" below and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality."

Proceeds of Foreclosure Sales

The proceeds of delinquent Special Taxes received following a judicial foreclosure sale of parcels within the Community Facilities District resulting from a landowner's failure to pay the Special Taxes when due, up to the amount of the delinquent Special Tax lien, are included within the Net Special Tax Revenues pledged to the payment of principal and interest on the Bonds under the Indenture.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the Community Facilities District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Supervisors of the County, as the legislative body of the Community Facilities 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 Community Facilities District will covenant in the Indenture with and for the benefit of the Owners of the Series 2015 Bonds that the Community Facilities District will commence appropriate judicial foreclosure proceedings against parcels with total Special Tax delinquencies in excess of \$5,000 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Special Taxes were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings. However, notwithstanding the foregoing, the Community Facilities District may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys' fees related to a Special Tax delinquency, if permitted by law. Additionally, notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Special Tax delinquency and in such cases foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure

proceedings cost. See APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Series 2015 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 County and the Community Facilities District. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay” herein. 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 “SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios” herein. Although the Act authorizes the Community Facilities District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the Community Facilities District or the County 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.

If the County does purchase such property through a credit bid (which the County has done on occasion in the past but is not obligated to do so), the credit bid is not required to be paid for 24 months.

If the Reserve Fund is depleted and delinquencies in the payment of Special Taxes exist, there could be a default or delay in payments to the Series 2015 Bond owners pending prosecution of foreclosure proceedings and receipt by the Community Facilities District of foreclosure sale proceeds, if any. However, within the limits of the Rate and Method and the Act (specifically, the Maximum Special Tax and the requirement under the Act that under no circumstances shall the Special Taxes levied against any Parcel of Residential Property, as defined in the Rate and Method, be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Parcel within the Community Facilities District), the Community Facilities District may adjust the Special Taxes levied on all property in future Fiscal Years to provide an amount, taking into account such delinquencies, required to pay debt service on the Bonds and to replenish the Reserve Fund. There is, however, no assurance that the Maximum Special Tax rates will be at all times sufficient to pay the amounts required to be paid on the Bonds by the Indenture.

Special Taxes Are Not Within Teeter Plan

The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. **The Special Taxes are not included in the County’s Teeter Program.**

Tender for Bonds

In accordance with Section 53344.1 of the California Government Code, the Community Facilities District has reserved to itself the right to adopt a policy permitting the tender of Bonds or Additional Bonds in full payment or partial payment of any Special Taxes, provided that the Community Facilities District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the Community Facilities District having insufficient Special Tax revenues to pay the principal of and interest on the Series 2015 Bonds and Additional Bonds when due and to pay estimated Administrative Expenses when due.

Special Tax Fund

The Trustee shall establish and maintain a separate fund designated the "Special Tax Fund." As soon as practicable after the receipt by the Community Facilities District of any Special Tax Revenues, the Community Facilities District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that with respect to any Special Tax Revenues that represent prepaid Special Taxes that are to be applied to the redemption of the Bonds in accordance with the provisions of the Indenture, said prepaid Special Taxes shall be identified as such in a Written Certificate of the Community Facilities District delivered to the Trustee at the time such prepaid Special Taxes are transferred to the Trustee, the portion of such prepaid Special Taxes to be applied to the Redemption Price of the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District and shall be deposited by the Trustee in the Redemption Fund and the portion of such prepaid Special Taxes to be applied to the payment of interest on the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District and shall be deposited by the Trustee in the Bond Fund.

Disbursements. Upon receipt of a Written Request of the Community Facilities District, the Trustee shall withdraw from the Special Tax Fund and transfer to the Administrative Expense Fund the amount specified in such Written Request of the Community Facilities District as the amount necessary to be transferred thereto in order to have sufficient amounts available therein to pay Administrative Expenses.

On the Business Day immediately preceding each Interest Payment Date, after having made any requested transfer to the Administrative Expense Fund, the Trustee shall make the following transfers in the following order of priority:

Bond Fund. The Trustee shall withdraw from the Special Tax Fund and transfer to the Bond Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Bond Fund to be equal to the principal and interest due on the Bonds on such Interest Payment Date; and

Reserve Fund. After having made any transfers required to be made pursuant to the preceding paragraph, the Trustee shall withdraw from the Special Tax Fund and transfer to the Reserve Fund, Net Special Tax Revenues in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement.

On each September 2, after having made any transfer required to the Administrative Expense Fund, the Bond Fund and the Reserve Fund, as described above, the Trustee shall transfer any remaining amounts in the Special Tax Fund to the Non-Proceeds Account of the Improvement Fund.

Bond Fund

The Trustee will hold the Bond Fund (as defined in the Indenture) for the benefit of the Bond Owners.

On each Interest Payment Date, the Trustee will withdraw from the Bond Fund and pay to the Bond Owners the principal, if any, of and interest on the Bonds then due and payable, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds.

In the event that, on the business day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall apply available funds therein in accordance with the provisions of the Indenture relating to the application of Net Special Tax Revenues upon a default. See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies — Application of Net Special Tax Revenues After Default."

Redemption Fund

Moneys in the Redemption Fund shall be set aside and used solely for the purpose of redeeming Bonds in accordance with the Indenture.

Reserve Fund

Certain proceeds of the Series 2015 Bonds will be deposited into the Reserve Fund in an amount equal to the Reserve Requirement (see "SOURCES AND USES OF FUNDS" herein). The Reserve Requirement is defined in the Indenture to mean, as of the date of calculation, an amount equal to the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with proceeds of subsequently issued Bonds), (b) the Maximum Annual Debt Service on the Bonds and (c) 125% of the Average Annual Debt Service on the Bonds.

If a portion of Bonds are to be redeemed, a proportionate amount in the Reserve Fund (determined on the basis of the principal of such Bonds to be redeemed and the original principal of such Bonds) will be applied to the redemption of such Bonds; provided, however, that such amount shall be so transferred only if and to the extent that the amount remaining on deposit in the Reserve Fund will be at least equal to the Reserve Requirement (excluding from the calculation thereof said Bonds to be redeemed).

Except as otherwise provided in the Indenture, all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in the Bond Fund of the amount then required for payment of the principal of and interest on the Bonds or, in accordance with the provisions of the Indenture, for the purpose of redeeming Bonds. Transfers shall be made from the Reserve Fund to the Bond Fund in the event of a deficiency in the Bond Fund, in accordance with the Indenture.

Moneys in the Reserve Fund will be invested and deposited as described in the Indenture. Subject to the provisions of the Indenture relating to the Rebate Fund, any interest or profits or other income received with respect to investments held in the Reserve Fund will be transferred to the Proceeds Account of the Improvement Fund or the Earnings Fund, as directed by the Indenture, to the extent amounts on deposit on the Reserve Fund exceed the Reserve Requirement.

See APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Flow of Funds; Investments — Investment of Moneys" for a description of the timing, purpose and manner of disbursements from the Reserve Fund.

Administrative Expense Fund

The Trustee will receive the transfer of Special Taxes from the Community Facilities District from the Special Tax Fund and deposit in the Administrative Expense Fund an amount sufficient to pay Administrative Expenses.

Moneys in the Administrative Expense Fund will not be pledged to payment of debt service on the Bonds.

Improvement Fund

The Trustee will establish and maintain a separate fund designated the "Improvement Fund." Within the Improvement Fund, the Trustee will establish and maintain a separate account designated the "Proceeds Account" and a separate account designated the "Non-Proceeds Account." On the Closing Date, the Trustee shall deposit in the Proceeds Account the amount specified in the table under the heading "SOURCES AND USES OF FUNDS." The moneys in the Proceeds Account will be used and withdrawn by the Trustee from

time to time to pay the costs of the Facilities upon submission to the Trustee of a Written Request of the Community Facilities District.

Upon the filing of a Written Certificate of the Community Facilities District stating (i) that the portion of the Facilities to be financed from the Proceeds Account has been completed and that all costs of such Facilities have been paid, or (ii) that such portion of the Facilities has been substantially completed and that all remaining costs of such portion of the Facilities have been determined and specifying the amount to be retained therefor, the Trustee will (A) if the amount remaining in the Proceeds Account (less any such retention) is equal to or greater than \$25,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Redemption Fund, to be applied to the redemption of Bonds, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Proceeds Account (less any such retention) to the Bond Fund, to be applied to the payment of interest on the Bonds.

Additional Bonds

The Community Facilities District may at any time after the issuance and delivery of the Series 2015 Bonds issue Additional Bonds in an aggregate amount not to exceed \$60,000,000, including the Outstanding Series 2015 Bonds, payable from Net Special Tax Revenues secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Series 2015 Bonds. Additional Bonds may be issued for the purpose of funding additional Facilities costs, for the purpose of refunding all or a portion of the Series 2015 Bonds or any Additional Bonds then Outstanding, for providing funds to pay costs of issuance incurred in connection with the issuance of such Additional Bonds, and providing funds to make any deposit to the Reserve Fund required under the Indenture in connection with the issuance of such Additional Bonds. The issuance of Additional Bonds to fund additional Facilities Costs will require an increase in the amount of Special Taxes levied annually, which could result in the need to levy Special Taxes on Undeveloped Property and would reduce the coverage ratio between the Maximum Special Taxes that could be levied annually and the annual levy required to pay debt service on the Series 2015 Bonds and Additional Bonds plus Administrative Expenses. See “— Coverage and Source of Annual Debt Service” above and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

The Indenture provides that Additional Bonds may only be issued subject to certain conditions precedent, including but not limited to the Community Facilities District having received a certificate of one or more Independent Consultant, except as otherwise described below, certifying as of the closing date that:

- (i) on the basis of the parcels of land and improvements existing in the Community Facilities District as of the January 1 preceding the proposed issuance of such Additional Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds; and
- (ii) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least three times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be

determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

The receipt of a Certificate described above will not be a condition precedent to the issuance of Additional Bonds if (i) such Additional Bonds are being issued to refund previously issued Bonds, and (ii) Annual Debt Service in each Bond Year calculated for all Bonds that will be outstanding after the issuance of such Additional Bonds, will be less than or equal to Annual Debt Service in such Bond Year calculated for all Bonds which are Outstanding immediately prior to the issuance of such Additional Bonds.

For a complete description of all conditions that must be satisfied prior to issuance of Additional Bonds, see APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

For purposes of the above, the following capitalized terms have the following meanings.

“Independent Consultant” means any consultant or firm of such consultants selected by the Community Facilities District and who, or each of whom (a) is generally recognized to be qualified in the financial consulting field, (b) is in fact independent and not under the control of the Community Facilities District or the County, (c) does not have any substantial interest, direct or indirect, with or in the Community Facilities District or the County, or any owner of real property in the Community Facilities District, or any real property in the Community Facilities District, and (d) is not connected with the Community Facilities District or the County as an officer or employee thereof, but who may be regularly retained to make reports to the Community Facilities District or the County.

“Other CFD Bonds” means, as of the date of determination, any and all bonds, notes or other evidences of indebtedness, other than the Bonds, then outstanding issued under the Act and payable at least partially from special taxes to be levied on parcels of Taxable Property.

“Qualified Appraisal Report” means a real estate appraisal report which (a) has been prepared by a Qualified Appraiser, (b) uses a date of value that is no earlier than three months prior to the date on which the value reported in such appraisal report is used in accordance with the provisions of the Indenture, (c) is prepared in accordance with the applicable standards of the Appraisal Institute for such reports, and (d) is prepared in accordance with the applicable guidelines of the California Debt and Investment Advisory Commission for such reports, as such guidelines are in effect on the Closing Date.

“Qualified Appraiser” means a real estate appraiser selected by the Community Facilities District and having an “MAI” designation from the Appraisal Institute.

THE COMMUNITY FACILITIES DISTRICT

General Description

The Community Facilities District consists of a number of noncontiguous properties located mostly in an unincorporated portion of the County, also known as French Valley, with a small portion located in the City of Murrieta. The Community Facilities District is approximately 10 miles north of the City of Temecula, 35 miles southeast of the City of Riverside, 90 miles southeast of the City of Los Angeles, and 60 miles north of the City of San Diego. The Community Facilities District is located east of Interstate 215 which is a major freeway connecting the cities of Riverside and San Diego.

As of April 1, 2015, the Community Facilities District contains 1,479 taxable parcels, of which pursuant to the Rate and Method 1,068 parcels are classified as Developed Property (taxable property for which a final map has been recorded and a building permit has been obtained as of April 1 for the following fiscal year tax levy), 357 parcels are classified as Approved Property (taxable property for which a final map

has been recorded but for which a building permit has not been obtained as of April 1 for the following fiscal year special tax levy), and 54 parcels representing approximately 457.02 acres are classified as Undeveloped Property (taxable property for which no final map has been recorded and no building permit obtained as of January 1 for the following fiscal year special tax levy), all as pursuant to the Rate and Method of Apportionment.

Under the Rate and Method, property is classified based on its development status as of April 1, 2015. As of April 1, 2015, the total acreage of the taxable parcels within the Community Facilities District is approximately 704.26 acres, comprised of approximately 180.88 acres of Developed Property, approximately 66.36 acres of Approved Property, and approximately 457.02 acres of Undeveloped Property. As of April 1, 2015, there are 1,068 parcels of Developed Property, comprising 890 single family residential units and 113 multi-family residential units which have been completed and conveyed to individual homeowners as of June 22, 2015, and 65 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units within the Community Facilities District.

Special Taxes from Developed Property and Approved Property are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds plus administrative expenses of the Community Facilities District. Undeveloped Property is not expected to be levied by the Community Facilities District until such parcels become Developed Property or Approved Property or Additional Bonds are issued. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds." However, Additional Bonds may be issued under certain conditions on a parity with the Series 2015 Bonds which could potentially cause part of or all of the Series 2015 Bonds to be expected to be payable from Special Taxes from Undeveloped Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds" and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality."

According to the Riverside County Assessor's Office, as of March 5, 2015, the preliminary assessed value for Fiscal Year 2015-16 of the property within the Community Facilities District classified as Developed Property for the Fiscal Year 2015-16 Special Tax levy was \$336,414,592. Additionally, the Fiscal Year 2015-16 assessed value of all the taxable property within the Community Facilities District was \$373,245,379 resulting in an estimated assessed value-to-lien ratio of approximately 6.50^{*}-to-1 for Developed Property, Approved Property, and Undeveloped Property based on the principal amount of the Series 2015 Bonds (allocated to each parcel of Developed Property within the Community Facilities District based on the proportion of the Fiscal Year 2015-16 Special Taxes on such parcels) and other overlapping debt secured by *ad valorem* taxes, special taxes and assessments and overlapping general obligation debt on such property. The estimated assessed value-to-lien ratio is approximately 8.51^{*}-to-1 for Developed Property, Approved Property and Undeveloped Property based on the principal amount of the Series 2015 Bonds and other overlapping debt secured by special taxes and assessments. See "— Estimated Assessed Value-to-Lien Ratios" herein.

Assuming no delinquencies, the Fiscal Year 2015-16 Special Tax levy is projected to be paid from approximately 93.67% Developed Property and approximately 6.33% Approved Property, with no Special Tax levy on Undeveloped Property. Special Taxes from Developed Property and Approved Property are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds plus administrative expenses of the Community Facilities District. However, Additional Bonds may be issued under certain conditions on a parity with the Series 2015 Bonds which could cause the Series 2015 Bonds to be expected to be payable from Special Taxes on Developed Property, Approved Property and Undeveloped Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Additional Bonds" herein.

^{*} Preliminary, subject to change.

Utility services for parcels in the Community Facilities District are provided by Southern California Edison Company (electricity), Southern California Gas Company (natural gas), the Eastern Municipal Water District (water and sewer), Verizon (telephone), County of Riverside Sheriff's Department (police services) and the County of Riverside Fire Department (fire protection).

Description of Authorized Facilities; Facilities Financing Plan

Proceeds of the Series 2015 Bonds and Additional Bonds may be used to finance the Facilities as authorized at the June 12, 2007, election within the Community Facilities District which include: bridge facilities, and appurtenances thereto, street improvements, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, street lights and parkway and landscaping related thereto, and storm drain facilities, environmental mitigation facilities needed in connection therewith, and land, rights-of-way and easements necessary for any of such facilities. Facilities include related administrative expenses, costs related to the acquisition of land for the construction of the road improvements and appurtenances, and related facilities or land or interests in land required to be provided as mitigation of environmental impacts associated with the development of the Facilities.

Land Use Status and Approvals

The Comprehensive General Plan, adopted by the Board of Supervisors on October 7, 2003, divides the County into 19 Community Plan Areas. The Community Facilities District is located in the Sun City / Menifee Valley Area Plan Area. The Comprehensive General Plan establishes foundation components (Community Development, Rural Community, Agricultural and Open Spaces). The Community Facilities District is within the Community Development component.

The land uses designated for the Community Facilities District include: (i) medium high density residential, (ii) high density residential, (iii) very high density residential, (iv) elementary school, (v) community park, (vi) drainage and (vii) streets.

As of April 1, 2015, final tract maps had been recorded for approximately 12 tracts within 5 separate projects within the Community Facilities District totaling 247.24 acres upon which approximately 1,425 residential units are proposed to be built. As of April 1, 2015, within the Community Facilities District, there are 890 single family residential units and 113 multi-family residential units which have been completed and conveyed to individual homeowners, and 65 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units. All of such units will be classified as "Developed Property" under the Rate and Method for the Fiscal Year 2015-16.

There are approximately 457 acres of Undeveloped Property within the Community Facilities District. The Community Facilities District cannot predict when or if development of such Undeveloped Property will occur.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
ESTIMATED DESCRIPTION OF UNDEVELOPED PROPERTY
(as of May 15, 2015)

<i>Tract</i>	<i>Owner</i>	<i>Development Name</i>	<i>Parcels</i>	<i>Projected Units</i>	<i>Gross Acreage</i>	<i>Estimated Taxable Acreage</i>
PM 32123-2	FV Commons	Murrieta Marketplace	5	Unknown ⁽¹⁾	4.64	4.64
36536	CV Communities	Quinta Do Lago Specific Plan	3	84	29.20	11.60
33307	K Hovnanian	Vineyard Heights	3	41	12.88	8.50
36437	CV Inland Inv 1	Lennar Homes	16	102	35.66	23.54
32290	Riverside Mitland 03	Spencer's Crossing	23	808	331.20	218.59
36418	Riverside Mitland 03	Spencer's Crossing	1	50	10.06	6.64
32151	Rancon Sevilla 180	Rancon Sevilla	3	180 (multi-family)	33.38	20.00
Total			54	1,265	457.02	293.51

⁽¹⁾ Parcels are zoned as commercial.
Source: Albert A. Webb Associates.

Such parcels are not expected to be levied by the Community Facilities District until such parcels become Developed Property under the Rate and Method or Additional Bonds are issued. See "SPECIAL RISK FACTORS — Failure to Develop Properties."

Transportation Uniform Mitigation Fee. The projects in the Community Facilities District are required to pay many fees as a condition to develop. In 2003, the County and the various cities in the County adopted a new transportation fee for development, known as the Transportation Uniform Mitigation Fee ("TUMF"), which varies on an annual basis. The latest adjustment to the TUMF was April 1, 2013, which will add approximately \$8,873 to every new single-family residential unit and approximately \$6,213 to each future multi-family unit in the County, subject to credit for a portion, if any, of transportation facility fees imposed by the County or applicable city which relates to facilities encompassed within the new transportation fee. New retail, service and industrial development will also be charged the transportation fee based on the square footage of new development (\$10.49 per square foot for retail, \$4.19 per square foot for service and \$1.73 per square foot for industrial). The TUMF was approved by the County in February 2003, effective 61 days thereafter. Cities may opt out of the fee, but if they do so, they will not be able to receive any money from Measure A, the County's half-cent sales tax initiative. Extension of the term of Measure A was approved by the voters at the November 5, 2002 election. The half-cent sales tax program is now extended an additional 30 years and will expire in 2039. The TUMF applies to lots within the Community Facilities District. The landowners will receive partial credit against payment of the TUMF based on funding of Facilities by the Community Facilities District.

Environmental Approvals and Permits

As required by various California Environmental Quality Act ("CEQA") approvals, the development projects in the Community Facilities District are required to comply with certain mitigation measures. Certain sensitive plant and animal species, including burrowing owls, were observed within the Community Facilities District and mitigation measures are required to be implemented in accordance with the applicable conditions of approval. Each property owner in the County is required to provide a burrowing owl survey and provide corresponding mitigation measures, including payment of a fee and the relocation of burrowing owls present on its land, prior to obtaining an approved final map from the County. Numerous areas within the County have been identified as containing potential habitat of the Stephen's Kangaroo Rat, which is a listed species. The evidence of habitation by this rat may result in delays or substantial revisions of proposed developments within the County.

The Western Riverside County Multiple Species Habitat Conservation Plan ("MSHCP") was approved by federal and state wildlife agencies and the MSHCP became effective June 22, 2004. At that time, "take" permits were issued authorizing take of certain covered species. The MSHCP is a comprehensive, multi-jurisdictional effort that includes the County and 14 cities within the County. The plan focuses on the conservation of 146 species. The MSHCP consists of a reserve system of approximately 500,000 acres of which 347,000 acres are within public ownership and approximately 153,000 acres are in private ownership. The purchase of the privately owned lands will be funded by an adopted fee.

MSHCP restricted areas are already defined prior to submitting a grading plan, and a condition of approval for development by a developer is monitoring MSHCP compliance. Development may be halted in the event that development extends beyond the approved scope on a project site. The County is unaware of any restrictions affecting development within the Community Facilities District. The Community Facilities District cannot predict the likelihood of a listing of additional species affecting the development of the property in the Community Facilities District. Any future listing of additional species may potentially be addressed by the MSHCP, thereby allowing affected projects to obtain take authorization for those species as well. Furthermore, certain of the developments will need to follow normal permitting requirements for impacts to wetlands and other water courses regulated by the U.S. Army Corps of Engineers and the California Department of Fish and Wildlife.

Estimated Direct and Overlapping Indebtedness

Within the boundaries of the Community Facilities District are numerous overlapping local agencies providing public services. Some of these local agencies have outstanding bonds which are secured by taxes and assessments on the parcels within the Community Facilities District and others have authorized but have not yet issued bonds which, if issued, will be secured by taxes and assessments levied on parcels within the Community Facilities District. Table 2 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied on the parcels of Developed Property and Approved Property within the Community Facilities District, prepared by Albert A. Webb Associates, and dated May 15, 2015 (the "Debt Report"). The Debt Report is included for general information purposes only. The Community Facilities District believes the information is current as of its date, but makes no representation as to its completeness or accuracy. Other public agencies and the County may issue additional indebtedness at any time, without the consent or approval of the Community Facilities District. See "SPECIAL RISK FACTORS — Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property."

The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Community Facilities District in whole or in part. In many cases long term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. Additional indebtedness could be authorized by the County or other public agencies at any time.

There are various community facilities districts and assessment districts which have been formed or which are in the process of formation and which have issued bonds or are in the process of issuing bonds which overlap with the Community Facilities District. The issuance of bonds by such community facilities districts and assessment districts will lower the value-to-lien ratio of the property within the Community Facilities District and may lower the ability or willingness of certain landowners in the Community Facilities District to pay the Special Taxes.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
DETAILED DIRECT AND OVERLAPPING DEBT
(as of May 15, 2015)

I. ASSESSED VALUE

FISCAL YEAR 2015-16 ASSESSED VALUATION⁽¹⁾

\$373,245,379

II. SECURED PROPERTY TAX ROLL

Description of Tax Bill	Type	Total Parcels Levied	Total Levy	% Applicable	Parcels In CFD 07-2	Levy Amount
GENERAL PURPOSE	1%	903,070	\$2,133,488,338	0.147%	1,542	\$ 3,133,317
HEMET UNIFIED B & I	GO	60,653	10,366,721	0.019	3	1,938
MENIFEE UNION SCHOOL B & I	GO	36,817	2,379,796	0.432	553	10,289
MURRIETA VALLEY UNIFIED SCHOOL B & I	GO	35,383	13,994,240	1.591	639	222,652
TEMECULA VALLEY UNIFIED SCHOOL B & I	GO	47,486	5,389,599	0.497	307	26,793
PERRIS UNION HIGH SCHOOL B & I	GO	66,022	7,492,246	0.264	553	19,802
METROPOLITAN WATER EAST	WTR	N/A ⁽²⁾	92,300,000	0.012	1,459	10,918
FLD CNTL STORMWATER/CLEANWATER	FLD	83,772	538,278	0.350	547	1,883
L&LMD NO 89-1-C ZONE 172	LMD	502	48,343	100.000	502	48,343
CSA#103 STREET LIGHTS	CSA	9,783	483,810	16.285	1,438	78,789
CSA #152 NPDES	CSA	60,860	1,660,800	4.868	1,438	80,846
V-WIDE REGIONAL FAC.LMD 88-1	LMD	68,643	1,164,377	0.445	968	5,181
V-WIDE LMD FRENCH VALLEY	LMD	8,253	3,905,713	11.503	901	449,279
MWD STANDBY EAST	WTR	241,739	2,809,294	0.417	1,242	11,712
EMWD STANDBY-COMBINED CHARGE	WTR	245,279	5,857,941	0.893	1,542	52,316
FRENCH VALLEY CFD	CFD	405	202,500	16.296	66	33,000
EMWD CFD 2002-05 CROWN VALLEY	CFD	545	830,713	40.313	266	334,888
PERRIS UNION HS CFD 92-1	CFD	18,316	3,449,852	0.296	37	10,206
RIV CO CFD 07-2 CLINTON KEITH	CFD	906	1,059,600	100.000	906	1,059,600
MURRIETA VL USD CFD 2006-1 IA B	CFD	329	667,769	100.000	329	667,769
MURRIETA VL USD CFD 2006-1 IA A	CFD	257	485,763	100.000	257	485,763
MENIFEE USD 2006-1 CFD	CFD	111	240,820	34.826	37	83,867
FISCAL YEAR 2014-15 TOTAL PROPERTY TAX LIABILITY						\$ 6,829,151

TOTAL PROPERTY TAX AS A PERCENTAGE OF PRELIMINARY 2015-16 ASSESSED VALUATION

1.83%

III. LAND SECURED BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels in CFD 07-2	Amount of Debt
EMWD CFD 2002-05 CROWN VALLEY	CFD	\$ 13,000,000	\$ 9,875,000	40.313%	266	\$ 3,980,938
EMWD CFD 2014-67 (TR. 30422-3 / TR. 36437) IA B	CFD	0	0	100.000	16	0
PERRIS UNION HS CFD 92-1	CFD	40,000,000	36,315,000	0.296	37	107,435
RIV CO CFD 07-2 CLINTON KEITH ⁽⁴⁾	CFD	23,950,000	23,950,000	100.000	906	23,950,000
MURRIETA VL USD CFD 2006-1 IA B	CFD	8,170,000	8,035,000	100.000	329	8,035,000
MURRIETA VL USD CFD 2006-1 IA A	CFD	5,580,000	5,515,000	100.000	257	5,515,000
MENIFEE USD 2006-1 CFD	CFD	6,565,000	6,565,000	34.826	37	2,286,305
TOTAL LAND SECURED BONDED DEBT⁽³⁾						\$ 43,874,678

Authorized Direct and Overlapping Bonded Debt	Type	Authorized	Unissued	% Applicable	Parcels In CFD 07-2	Amount Applicable
EMWD CFD 2002-05 CROWN VALLEY	CFD	\$ 13,000,000	\$ 0	40.313%	266	\$ 0
EMWD CFD 2014-67 (TR. 30422-3 / TR. 36437) IA B	CFD	3,500,000	3,500,000	100.000	16	3,500,000
PERRIS UNION HS CFD 92-1	CFD	40,000,000	0	0.296	37	0
RIV CO CFD 07-2 CLINTON KEITH ⁽⁴⁾	CFD	60,000,000	36,050,000	100.000	906	36,050,000
MURRIETA VL USD CFD 2006-1 IA B	CFD	11,000,000	2,830,000	100.000	329	2,830,000
MURRIETA VL USD CFD 2006-1 IA A	CFD	8,000,000	2,420,000	100.000	257	2,420,000
MENIFEE USD 2006-1 CFD	CFD	16,000,000	9,435,000	34.826	37	3,285,802
TOTAL UNISSUED LAND SECURED BONDED DEBT⁽³⁾						\$ 48,085,802

TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS

\$ 91,960,481

IV. GENERAL OBLIGATION BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels In CFD 07-2	Amount of Debt
HEMET UNIFIED B & I	GO	\$160,000,000	\$ 128,720,000	3.583669%	3	\$ 4,612,899
MENIFEE UNION SCHOOL B & I	GO	45,958,923	44,573,642	4.290951	553	1,912,633
MURRIETA VALLEY UNIFIED SCHOOL B & I	GO	236,397,954	153,290,645	2.572756	639	3,943,794
TEMECULA VALLEY UNIFIED SCHOOL B & I	GO	89,160,070	52,510,070	1.763942	307	926,247
PERRIS UNION HIGH SCHOOL B & I	GO	104,802,260	80,413,834	2.630557	553	2,115,332
METROPOLITAN WATER EAST	GO	850,000,000	110,420,000	0.013695	1,459	15,122
TOTAL GENERAL OBLIGATION BONDED DEBT⁽³⁾						\$ 13,510,905

<i>Authorized Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels In CFD 07-2</i>	<i>Amount Applicable</i>
HEMET UNIFIED B & I	GO	\$209,000,000	\$ 49,000,000	3.583669	3	\$ 1,755,998
MENIFEE UNION SCHOOL B & I	GO	45,960,000	1,078	4.290951	553	46
MURRIETA VALLEY UNIFIED SCHOOL B & I	GO	334,400,000	98,002,046	2.572756	639	2,521,354
TEMECULA VALLEY UNIFIED SCHOOL B & I	GO	230,000,000	0	1.763942	307	0
PERRIS UNION HIGH SCHOOL B & I ⁽⁵⁾	GO	215,420,000	110,617,740	2.630557	553	2,909,863
METROPOLITAN WATER EAST	GO	850,000,000	0	0.013695	1,459	0
TOTAL UNISSUED GENERAL OBLIGATION BONDS⁽³⁾						\$ 7,187,261
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS						\$ 20,698,166
TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						\$ 57,385,583*
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS						\$ 112,658,647*

V. RATIOS TO 2015-2016 ASSESSED VALUATION

Outstanding Land Secured Bonded Debt	8.51:1
Total Outstanding Bonded Debt	6.50:1

* Preliminary, subject to change.

(1) Preliminary Fiscal Year 2015-2016 assessed valuation, as of March 5, 2015, from the Riverside County Assessor's Office.

(2) According to the Metropolitan Water District, the Metropolitan Water District does not receive parcel count data from the counties, and therefore "Total Parcels Levied" is not available and "Total Levy" is estimated and not exact.

(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for the referenced fiscal year.

(4) Outstanding and unissued debt for the Community Facilities District is based on preliminary bond sizing information provided by the Underwriter.

(5) Per Perris Union High School District, all prior year debt authorization amounts have been used and the only remaining Authorized and Unissued Debt is from the 2012 Measure T Election in the amount of \$110,617,740.

Source: Albert A. Webb Associates.

Community Facilities Districts, Overlapping Assessments and Maintenance Community Facilities Districts. The Community Facilities District encompasses multiple Tax Rate Areas, with varying base tax rates. For the Parcels which were classified as Single Family Property Developed Property for Fiscal Year 2014-15, the Assigned Special Tax of Fiscal Year 2015-16 is \$1,229.07 per RDU, and \$931.47 per RDU for Parcels which were classified as Multifamily Property.

The properties that are within other existing community facilities districts and assessment districts, as noted in Table 2 above, will have higher tax rates. Subsequent to the issuance of the Series 2015 Bonds, additional overlapping community facilities districts and/or assessment districts may be formed and may issue bonds, which would increase the total tax burden of any properties in the Community Facilities District included therein. See "SPECIAL RISK FACTORS—Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property."

Expected Tax Burden

Table 3 below sets forth an aggregate property tax bill for developed individually owned residential units in the Community Facilities District. The taxes, assessments and charges set forth in Table 2 are aggregate estimated Fiscal Year 2015-16 such taxes, assessments and charges on the 1,003 parcels owned by individuals as of June 22, 2015. Actual individual property tax bills will vary significantly from parcel to parcel depending on the home size and location, and the Tax Rate Area in which the parcel lies. There are numerous overlapping local agencies within the boundaries of the Community Facilities District as shown in Table 2 herein. Based on the aggregate of the taxes, assessments and charges within the Community Facilities District for Fiscal Year 2014-15 (unless otherwise noted), the average total effective tax rate on homes owned by individuals within the Community Facilities District is approximately 1.95% of the preliminary assessed values from the Riverside County Assessor's Office Fiscal Year 2015-16 assessed valuation. The actual amounts charged may vary and may increase in future years.

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
ESTIMATED FISCAL YEAR 2015-16 TAX OBLIGATION
AGGREGATE FOR INDIVIDUALLY OWNED DEVELOPED PARCELS

Fiscal Year 2015-16 Preliminary Assessed Value ⁽¹⁾	\$ 328,671,066
Ad Valorem Property Taxes ⁽²⁾	
GENERAL PURPOSE	\$ 2,753,324
MENIFEE UNION SCHOOL B & I	2,241
MURRIETA VALLEY UNIFIED SCHOOL B & I	216,292
TEMECULA VALLEY UNIFIED SCHOOL B & I	24,843
PERRIS UNION HIGH SCHOOL B & I	4,314
METROPOLITAL WATER EAST	9,586
Total General Property Taxes	\$ 3,010,601
Assessment, Special Taxes & Parcel Charges ⁽²⁾	
RIV CO CFD 07-2 CLINTON KEITH ⁽³⁾	\$ 1,199,426
FLD CNTL STORMWATER/CLEANWATER	1,882
L&LMD NO 89-1-C ZONE 172	8,667
CSA#103 STREET LIGHTS	49,002
CSA #152 NPDES	47,578
PERRIS UNION HS CFD 92-1	8,275
MURRIETA VL USD CFD 2006-1 IA B	667,769
MURRIETA VL USD CFD 2006-1 IA A	485,763
MENIFEE USD 2006-1 CFD	67,584
V-WIDE REGIONAL FAC.LMD 88-1	5,048
V-WIDE LMD FRENCH VALLEY	442,330
FRENCH VALLEY CFD	27,500
MWD STANDBY EAST	4,920
EMWD CFD 2002-05 CROWN VALLEY	334,044
EMWD STANDBY-COMBINED CHARGE	36,740
Total Assessments & Parcel Charges	\$ 3,386,526
Projected Total Property Tax	\$ 6,397,127
Projected Effective Tax Rate	1.95%

- ⁽¹⁾ Reflects aggregate projected Fiscal Year 2015-16 assessed value for properties of individually owned Developed Property as of April 1, 2015.
- ⁽²⁾ Reflects actual aggregate amounts applied for Fiscal Year 2014-15 for individually owned Developed Properties. All parcels of Developed Property may not be subject to all listed overlapping ad valorem, assessment, special tax and parcel charges listed. May not reflect all overlapping assessments within the Boundaries of CFD 07-2.
- ⁽³⁾ Projected Special Tax is based on aggregate Fiscal Year 2015-16 Developed Assigned Special Tax Rate for all parcels of individually owned Developed Property.

Source: Riverside County Assessor, Albert A. Webb Associates.

Estimated Assessed Value-to-Lien Ratios

Table 4 below sets forth the estimated assessed value-to-lien ratios for various categories of property ownership within the Community Facilities District based upon ownership status as of June 22, 2015, and the preliminary assessed values to be included on the Fiscal Year 2015-16 Assessor's roll. The preliminary assessed value of the taxable parcels within the Community Facilities District for Fiscal Year 2015-16 is \$373,245,379, of which, the preliminary assessed value from property classified as Developed Property for Fiscal Year 2015-16 is \$336,414,592. The estimated assessed value-to-lien ratio of the Developed Property, Approved Property, and Undeveloped Property within the Community Facilities District based upon the allocated principal amount of the Series 2015 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the Community Facilities District and overlapping general obligation debt within the Community Facilities District, and the preliminary assessed values to be included on the 2015-16 Assessor's roll is approximately 6.50*-to-1. Because a parcel's assessed value generally represents the lower of its acquisition cost and adjustments for inflation (but not more than 2% per year) or its current market value, it may not be indicative of the parcel's market value. No assurance can be given that any of the value-to-lien ratios in Table 4 will be maintained during the period of time that the Series 2015 Bonds are outstanding. The Community Facilities District does not have any control over future property values or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which is made through the levy of a tax or an assessment with a lien on a parity with the Special Taxes. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios."

Table 5 below sets forth the estimated value-to-lien ratios for parcels within the Community Facilities District by various ranges based upon the direct and overlapping debt information included in Table 2.

* Preliminary, subject to change.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
ESTIMATED VALUE-TO-LIEN RATIOS
FISCAL YEAR 2014-15 OWNERSHIP BY CLASSIFICATION

Classification	No. of Parcels	Acreage	Assessed Value ^(a)	% of Assessed Value ^(b)	Estimated Series 2015 Bonds ^(c)	Other Overlapping Land Secured Debt ^(d)	Aggregate Outstanding Land Secured Debt ^(e)	Value- to-Lien Ratio ^(f)	Current Maximum Special Tax	% of Maximum Special Tax	Fiscal Year 2015-16 Projected Special Tax ^(g)	% of Applied Special Tax ^(h)
Developed Property:												
Individually Owned	1,003	168.89	\$ 328,671,066	88.06%	\$ 21,036,847	\$ 19,450,409	\$ 40,487,256	8.12:1	\$ 1,199,426	22.87%	\$ 1,199,426	87.84%
Owned KB Homes	56	10.57	5,180,370	1.39	1,207,179	0	1,207,179	4.29:1	68,828	1.31	68,828	5.04
Owned Richmond America	7	1.02	2,368,997	0.63	150,897	464,235	615,132	3.85:1	8,603	0.16	8,603	0.63
Owned DR Horton	2	0.40	194,159	0.05	37,894	10,034	47,928	4.05:1	2,161	0.04	2,161	0.16
Subtotal Developed Property	1,068	180.88	\$ 336,414,592	90.13%	\$ 22,432,818	\$ 19,924,678	\$ 42,357,496	7.94:1	\$ 1,279,018	24.39%	\$ 1,279,018	93.67%
Approved Property:												
KB Homes	355	65.74	\$ 7,396,014	1.99%	\$ 1,508,682	\$ 0	\$ 1,508,682	4.90:1	\$ 436,320	8.32%	\$ 86,018	6.30%
Saba Saba	2	0.62	54,636	0.01	8,500	0	8,500	6.43:1	2,458	0.05	485	0.04
Subtotal Approved Property	357	66.36	\$ 7,450,650	2.00%	\$ 1,517,182	\$ 0	\$ 1,517,182	4.91:1	\$ 438,778	8.37%	\$ 86,503	6.33%
Subtotal Developed and Approved Property	1,425	247.24	\$ 343,865,242	92.13%	\$ 23,950,000	\$ 19,924,678	\$ 43,874,678	7.84:1	\$ 1,717,796	32.75%	\$ 1,365,521	100.00%
Undeveloped Property	54	457.02	\$ 29,380,137	7.87%	\$ 0	\$ 0	\$ 0	N/A	\$ 3,526,618	67.25%	\$ 0	0.00%
TOTAL	1,479	704.26	\$ 373,245,379	100%	\$ 23,950,000	\$ 19,924,678	\$ 43,874,678	8.51:1	\$ 5,244,414	100.00%	\$ 1,365,521	100.00%

* Preliminary, subject to change.

- (1) Reflects the preliminary Fiscal Year 2015-16 assessed value based on ownership status as of January 1, 2014.
 - (2) Bond allocation based on Fiscal Year 2015-16 projected Special Tax of \$1,365,521.
 - (3) Allocation based on proration of Fiscal Year 2014-15 enrolled special tax levy for each overlapping land secured taxing jurisdiction.
 - (4) Projected Special Tax is based on preliminary bond sizing information provided by the Underwriter.
- Source: Albert A. Webb Associates.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
VALUE-TO-LIEN STRATIFICATION
(PRELIMINARY FISCAL YEAR 2015-16 ASSESSED VALUES)

<i>Value-to-Lien</i>	<i>Parcels⁽¹⁾</i>	<i>% of Total Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax⁽²⁾</i>	<i>% of Applied Special Tax</i>	<i>Assessed Value⁽³⁾</i>	<i>% of Assessed Value</i>	<i>Aggregate Outstanding Debt</i>	<i>% of Aggregate Outstanding Debt</i>
Less than 4.00:1	71	4.98%	\$ 87,264	6.39%	\$ 1,521,123	0.44%	\$ 1,592,724	3.63%
Between 4.01 - 7.00:1	577	40.49	356,898	26.14	75,990,356	22.10	12,940,269	29.49
Between 7.01 - 10.00:1	599	42.04	714,191	52.30	202,034,449	58.75	24,708,143	56.32
Between 10.01 - 13.00:1	77	5.40	88,984	6.52	27,237,861	7.92	2,537,728	5.78
Between 13.01 - 16.00:1	20	1.40	23,391	1.71	6,242,978	1.82	433,229	0.99
Between 16.01 - 19.00:1	54	3.79	61,608	4.51	19,163,241	5.57	1,080,552	2.46
Greater than 19.01:1	27	1.89	33,185	2.43	11,675,234	3.40	582,033	1.33
Totals	1,425	100.00%	\$ 1,365,521	100.00%	\$ 343,865,242	100.00%	\$ 43,874,678	100.00%

(1) Includes only Developed and Approved parcels.

(2) Projected Special Tax is based on preliminary bond sizing information provided by the Underwriter.

(3) Preliminary Fiscal Year 2015-16 assessed valuation for Developed and Approved Property.

Source: Albert A. Webb Associates.

Table 6 sets forth the assessed value history within the Community Facilities District for Fiscal Years 2007-08 through 2015-16.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH ROAD)
OF THE COUNTY OF RIVERSIDE
ANNUAL CHANGE IN ASSESSED VALUE**

<i>Fiscal Year</i>	<i>Taxable Parcels</i>	<i>Land Value</i>	<i>Improved Value</i>	<i>Taxable Property Assessed Value⁽¹⁾</i>	<i>% Change</i>
2007-08	410	\$146,805,601	\$ 51,212	\$146,856,813	N/A
2008-09	802	174,582,651	20,376,938	194,959,589	32.75%
2009-10	802	169,948,526	25,065,372	195,013,898	0.03
2010-11	807	66,052,990	34,907,617	100,960,607	(48.23)
2011-12	808	78,427,982	57,117,521	135,545,503	34.26
2012-13	814	85,141,089	91,065,286	176,206,375	30.00
2013-14	889	87,098,353	147,318,601	234,416,954	33.04
2014-15	1,464	98,488,854	219,590,126	318,078,980	35.69
2015-16 ⁽²⁾	1,479	106,988,069	266,257,310	373,245,379	17.34

⁽¹⁾ Net assessed values as of January 1 of each year from the County Assessor's Roll.

⁽²⁾ Fiscal Year 2015-16 is the preliminary assessed values as of March 5, 2015 for the January 1, 2015 lien date from the Riverside County Assessor's Office.

Source: Riverside County Assessor.

Largest Taxpayers

For the projected Fiscal Year 2015-16 Special Tax levy, only one property owner within the Community Facilities District is projected to be responsible for more than 1% of the Fiscal Year 2015-16 Special Tax levy. As of June 22, 2015, KB Homes owned 56 parcels of Developed Property on approximately 10.57 acres, and 355 parcels of Approved Property on approximately 65.74 acres. Based on ownership as of January 1, 2014 and development status as of April 1, 2015, KB Homes is projected to be responsible for approximately 11.34% of the projected Fiscal Year 2015-16 Special Tax. KB Homes has not been delinquent in the payment of Special Taxes. A summary of the principal taxpayers within the Community Facilities District is set forth in Table 7 below.

**TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
ESTIMATED VALUE-TO-LIEN RATIOS
LARGEST PROPERTY OWNERS**

Owner	No. of Developed Property Parcels ^(a)	No. of Approved Property Parcels ^(b)	Total No. of Parcels	Preliminary Fiscal Year 2015-16 Assessed Land Value	Preliminary Fiscal Year 2015-16 Assessed Structure Value	Total Preliminary Fiscal Year 2015-16 Assessed Value ^(c)	% of Preliminary Fiscal Year 2015-16 Assessed Value ^(d)	Estimated Series 2015 Bonds ^(e)	Other Overlapping Debt ^(f)	Aggregate Outstanding Debt	Value-to-Lien Ratio	Current Maximum Special Tax	% of Maximum Special Tax	Fiscal Year 2015-16 Projected Special Tax ^(g)	% of Applied Special Tax
KB Homes	56	355	411	\$ 8,654,236	\$ 3,922,148	\$ 12,576,384	3.66%	\$ 2,715,862	\$ 0	\$ 2,715,862	4.63:1	\$ 505,148	29.41%	\$ 154,846	11.34%
Richmond American Homes	7	0	7	405,097	1,963,900	2,368,997	0.69	150,897	464,235	615,132	3.85:1	8,603	0.50	8,603	0.63
Individual Owner	2	0	2	142,028	487,793	629,821	0.18	43,114	56,458	99,571	6.33:1	2,458	0.14	2,458	0.18
DR Horton Homes	2	0	2	27,407	166,752	194,159	0.06	37,894	10,034	47,928	4.05:1	2,161	0.13	2,161	0.16
Saba Saba	0	2	2	54,636	0	54,636	0.02	8,500	0	8,500	6.43:1	2,458	0.14	485	0.04
SUBTOTAL	67	357	424	\$ 9,283,404	\$ 6,540,593	\$ 15,823,997	4.60%	\$ 2,956,266	\$ 530,727	\$ 3,486,993	4.54:1	\$ 520,828	30.32%	\$ 168,553	12.34%
ALL OTHERS	1,001	0	1,001	68,324,528	259,716,717	328,041,245	95.40	20,993,734	19,393,951	40,387,685	8.12:1	1,196,968	69.68	1,196,968	87.66
TOTAL	1,068	357	1,425	\$77,607,932	\$266,257,310	\$343,865,242	100.00%	\$23,950,000	\$19,924,678	\$43,874,678	7.84:1	\$1,717,795	100.00%	\$1,365,521	100.00%

* Preliminary, subject to change

(1) Developed Property are those as defined in the Rate and Method.

(2) Approved Property are those as defined in the Rate and Method.

(3) Reflects the preliminary Fiscal Year 2015-16 assessed value based on ownership status as of June 22, 2015.

(4) Bond allocation based on Fiscal Year 2015-16 projected Special Tax of \$1,365,521.

(5) Allocation based on proration of Fiscal Year 2014-15 enrolled special tax levy for each overlapping land secured taxing jurisdiction.

(6) Projected Special Tax is based on preliminary bond sizing information provided by the Underwriter.

Source: Albert A. Webb Associates.

Delinquency History

Table 8 below summarizes the Special Tax delinquencies for property within the boundaries of the Community Facilities District for Fiscal Years 2007-08 through Fiscal Year 2014-15. The highest fiscal year end delinquency rate in any of these years was 3.77% for Fiscal Year 2008-09. As of June 1, 2015, there were no remaining delinquencies.

TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES
FISCAL YEAR 2010-11 THROUGH FISCAL YEAR 2014-15

Fiscal Year	Amount Levied	Parcels Levied	Delinquencies as of September 30 of Fiscal Year			Delinquencies as of June 1, 2015		
			Parcels Delinquent	Amount Delinquent	Percent Delinquent	Parcels Delinquent	Amount Delinquent	Percent Delinquent
2007-08	\$ 30,421.00	29	1	\$1,049.00	3.45%	0	\$ 0.00	0.00%
2008-09	113,417.88	106	4	4,279.92	3.77	0	0.00	0.00
2009-10	151,524.24	148	1	545.69	0.34	0	0.00	0.00
2010-11	222,640.00	200	3	2,783.00	1.25	2	2,226.40	1.00
2011-12	345,179.84	304	4	3,974.11	1.15	1	567.73	0.16
2012-13	546,770.22	475	2	2,216.36	0.42	1	1,158.18	0.21
2013-14	907,428.26	780	4	4,134.69	0.46	1	590.67	0.07
2014-15	1,059,600.16	906	N/A	N/A	N/A	7	5,733.04	0.54

Source: Albert A. Webb Associates.

SPECIAL RISK FACTORS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the Series 2015 Bonds. The Community Facilities District cautions prospective investors that 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 Series 2015 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the Series 2015 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District.

Risks of Real Estate Secured Investments Generally

The Series 2015 Bondowners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the Community Facilities District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure, (ii) changes in real estate tax rates and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies and (iii) natural disasters (including, without limitation, drought, earthquakes, fires, floods, droughts and landslides), which may result in uninsured losses.

No assurance can be given that the individual property owners will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis. See “— Bankruptcy and Foreclosure Delay” below, for a discussion of certain limitations on the Community Facilities District’s ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Based on the development status within the Community Facilities District as of April 1, 2015 and ownership status as of June 22, 2015, KB Homes is projected to be responsible for approximately 11.34% of the projected Fiscal Year 2015-16 Special Tax levy. No other property owner is projected to be responsible for more than 0.63% of the projected Fiscal Year 2015-16 Special Tax levy.

KB Homes owns 56 Developed parcels and 355 Approved parcels, for a total of 411 Parcels. See “THE COMMUNITY FACILITIES DISTRICT — Largest Taxpayers.” Until further development within the Community Facilities District occurs, if KB Homes is unwilling or unable to pay the Special Tax when due, a potential shortfall in the Special Tax Fund could occur, which would result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Taxes and, consequently, a delay or failure in payments of the principal of or interest on the Series 2015 Bonds.

No property owner is obligated in any manner to continue to own or develop any of the land it presently owns within the Community Facilities District. The Special Taxes are not a personal obligation of any owner, developer or merchant builder of the parcels, and the Community Facilities District can offer no assurance that any current owner or any future owner will be financially able to pay such installments or that it will choose to pay even if financially able to do so.

Until the construction and sale of a substantial number of additional units in the Community Facilities District to individual homeowners, the receipt of the Special Taxes is dependent on the willingness and the ability of KB Homes to pay the Special Taxes when due. Failure of KB Homes, or any successor, to pay the annual Special Taxes when due could result in a draw on the Reserve Fund and ultimately a default in

payments of the principal of, and interest on, the Series 2015 Bonds, when due. No assurance can be given that KB Homes, its successors, or individual homeowners, will pay Special Taxes in the future or that they will be able to pay such Special Taxes on a timely basis.

Failure to Develop Properties

Continued development of property within the Community Facilities District may be subject to economic considerations and unexpected delays, disruptions and changes which may affect the willingness or ability of a property owner to pay the Special Taxes when due. Land development is also subject to comprehensive federal, State and local regulations. Approval is required from various agencies in connection with the layout and design of developments, the nature and extent of improvements, construction activity, land use, zoning, school and health requirements, as well as numerous other matters. It is possible that the approvals necessary to complete development of the property within the Community Facilities District will not be obtained, or if obtained, will not be obtained on a timely basis. Failure to obtain any such approval or to satisfy such governmental requirements could adversely affect land development operations within the Community Facilities District. In addition, there is a risk that future governmental restrictions on land development within the Community Facilities District will be enacted, either directly by a governmental entity with jurisdiction or by the voters through the exercise of the initiative power.

The failure to complete the development of homes and the required infrastructure in the Community Facilities District or substantial delays in the completion of the development of homes and the required infrastructure for the development due to litigation, the inability to obtain required funding, failure to obtain necessary governmental approval or other causes may reduce the value of the property within the Community Facilities District and increase the length of time during which Special Taxes will be payable from Approved Property and Undeveloped Property, and may affect the willingness and ability of the property owners within the Community Facilities District to pay the Special Taxes when due.

Bond Owners should assume that any event that significantly impacts the ability to develop land in the Community Facilities District would cause the property values within the Community Facilities District to decrease substantially and could affect the willingness and ability of the property owners within the Community Facilities District to pay the Special Taxes when due.

Special Taxes Are Not Personal Obligations

The current and future owners of land within the Community Facilities District are not personally liable for the payment of the Special Taxes. Rather, the Special Tax is an obligation only of the land within the Community Facilities District. In the event of foreclosure following delinquency, if the value of the development parcel within the Community Facilities District is not sufficient to fully secure the Special Tax, then the Community Facilities District has no recourse against the landowner under the laws by which the Special Tax has been levied and the Series 2015 Bonds have been issued.

The Series 2015 Bonds Are Limited Obligations of the Community Facilities District

The Series 2015 Bonds are not general obligations of the County or the Community Facilities District, but are special obligations of the Community Facilities District payable solely from the Net Special Tax Revenues and amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund under the Indenture.

The Community Facilities District has no obligation to pay principal of and interest on the Series 2015 Bonds in the event Special Tax collections are delinquent, other than from amounts, if any, on deposit in the Reserve Fund or funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent. Neither the County nor the Community Facilities District is obligated to advance

funds from any source other than amounts pledged under the Indenture to pay such debt service on the Series 2015 Bonds.

Property Values; Value-to-Lien Ratios

The value of the property within the Community Facilities District is a critical factor in determining the investment quality of the Series 2015 Bonds. If a property owner is delinquent in the payment of Special Taxes, the Community Facilities District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires, floods, or droughts, stricter land use regulations, delays in development or other events may adversely impact the security underlying the Special Taxes. There is no assurance that assessed values will not decline in the future. See "THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios" herein.

The assessed values set forth in this Official Statement do not represent market values arrived at through an appraisal process and generally reflect only the sales price of a parcel when acquired by its current owner, adjusted annually by an amount determined by the Riverside County Assessor, generally not to exceed an increase of more than 2.00% per fiscal year. No assurance can be given that a parcel could actually be sold for its assessed value.

No assurance can be given that the estimated value-to-lien ratios as set forth in Tables 2 through 6 will be maintained over time. As discussed herein, many factors which are beyond the control of the Community Facilities District could adversely affect the property values within the Community Facilities District. The Community Facilities District does not have any control over the amount of additional indebtedness that may be issued by other public agencies, the payment of which through the levy of a tax or an assessment is on a parity with the Special Taxes. A decrease in the assessed values in the Community Facilities District or an increase in the indebtedness secured by taxes and amounts with parity liens on property in the Community Facilities District, or both, could result in a lowering of the value-to-lien ratio of the property in the Community Facilities District. See "THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios" and "SPECIAL RISK FACTORS — Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property."

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 "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales."

Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property

While the Special Taxes are secured by the Taxable Property, the Taxable Property is subject to parity tax liens and assessments. Table 2 in the section entitled "THE COMMUNITY FACILITIES DISTRICT — Estimated Direct and Overlapping Indebtedness" states the presently outstanding amount of governmental obligations (with stated exclusions), the tax or assessment for which is or may become an obligation of one or more of the parcels of Taxable Property and furthermore states the additional amount of general obligation bonds the tax for which, if and when issued, may become an obligation of one or more of the parcels of Taxable Property.

Various community facilities districts and assessment districts have been formed that overlap portions of the Community Facilities District. See Table 2 herein. One or more improvement districts or community facilities districts may be formed to finance costs relating to certain public facilities and other governmental obligations may be authorized and undertaken or issued in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels of Taxable Property and may be secured by a lien on a parity with the lien of the Special Tax securing the Series 2015 Bonds.

In general, as long as the Special Tax is collected on the County tax roll, the Special Tax and all other taxes, assessments and charges also collected on the tax roll are on a parity, that is, are of equal priority. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. In the event of proceedings to foreclose for delinquency of Special Taxes securing the Series 2015 Bonds, the Special Tax may be subordinate only to certain governmental liens. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges, and will share the proceeds of such foreclosure proceedings on a pro-rata basis. Although the Special Taxes will generally have priority over non-governmental liens on a parcel of Taxable Property, regardless of whether the non-governmental liens were in existence at the time of the levy of the Special Tax or not, this result may not apply in the case of bankruptcy.

While governmental taxes, assessments and charges are a common claim against the value of a parcel of Taxable Property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the Special Tax is a claim with regard to a hazardous substance. See “— Hazardous Substances” below.

The property owners within the Community Facilities District may have formed or are in the process of forming or plan to form additional community facilities districts with other public agencies for issuing bonds. The special tax liens securing these other bonds will be on a parity with the Special Tax liens securing the Series 2015 Bonds in the event of foreclosure. In such an event, the land in the Community Facilities District will have additional debt levied on it and such an event may decrease the likelihood of the ability or willingness of the landowners in the Community Facilities District to pay the Special Taxes.

Effect of Additional Bonds on Credit Quality

The Community Facilities District may at any time after the issuance and delivery of the Series 2015 Bonds issue Additional Bonds in an aggregate amount not to exceed \$60,000,000 (including the Series 2015 Bonds) payable from the Net Special Tax Revenues and secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding Series 2015 Bonds and any other Additional Bonds theretofore issued under the Indenture or under any Supplemental Indenture for the purpose of funding additional Facilities costs or for the purpose of refunding all or a portion of the Series 2015 Bonds or any Additional Bonds then Outstanding. Additional Bonds may only be issued subject to specific conditions, which are set forth in the Indenture and with which the Community Facilities District must be in compliance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Additional Bonds.”

The Indenture permits the issuance of Additional Bonds. It is likely that, if Additional Bonds are issued, the value-to-lien ratio for certain parcels subject to the Special Tax will be lower than the ratios in Tables 2 through 5. If Additional Bonds are issued, the owners of the Series 2015 Bonds will not have any prior claim on the Special Taxes levied on the property within the Community Facilities District, but will have an equal claim with the owners of the Additional Bonds on the Net Special Tax Revenues collected within the Community Facilities District. Additional Bonds could also be issued at a time where certain of the property upon which Special Taxes will be levied is undeveloped. This could result in Owners of the Series 2015 Bonds having to rely upon the payment of Special Taxes from Undeveloped Property.

Disclosure to Future Purchasers

The Community Facilities District has recorded a Notice of Special Tax Lien, in the Office of the Riverside County Recorder on June 21, 2007 as Document No. 2007-0405337. 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 parcel of land or a home in the Community Facilities District or the 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 or ability of the purchaser or lessor to pay the Special Tax when due.

Local, State and Federal Land Use Regulations

There can be no assurance that land development operations within the Community Facilities District will not be adversely affected by future government policies, including, but not limited to, governmental policies which directly or indirectly restrict or control development. During the past several years, citizens of a number of local communities in California have placed measures on the ballot designed to control the rate of future development. During the past several years, state and federal regulatory agencies have significantly expanded their involvement in local land use matters through increased regulatory enforcement of various environmental laws, including the Endangered Species Act, the Clean Water Act and the Clear Air Act, among others. Such regulations can substantially impair the rate and amount of development without requiring just compensation unless the effect of the regulation is to deny all economic use of the affected property. Series 2015 Bondowners should assume that any event that significantly impacts the ability to construct homes on land in the Community Facilities District could cause the land values within the Community Facilities District to decrease substantially and could affect the willingness and ability of the owners of land to pay the Special Taxes when due or to proceed with development of land in the Community Facilities District. See “— Failure to Develop Properties” above.

Water Availability

[DROUGHT DISCLOSURE?] All of the Developed Property within the Community Facilities District has access to sufficient water for its intended use. However, the continued development of the land within the Community Facilities District is dependent upon the availability of water. The Community Facilities District receives a significant portion of its water from the Eastern Municipal Water District. The Community Facilities District believes that the Eastern Municipal Water District will be able to provide water to the Community Facilities District to permit the construction of the additional planned units within the Community Facilities District. No assurance can be given, however, that water service will be available and the lack of water availability could adversely affect future development in the Community Facilities District. A slowdown or stoppage in future development within the Community Facilities District may reduce the willingness or ability of owners of such property being developed to make Special Tax payments on undeveloped property and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Endangered and Threatened Species

It is illegal to harm or disturb species that have been listed as threatened or endangered by the U.S. Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Thus, the presence of an endangered plant or animal could delay development of or reduce the value of undeveloped property in the Community Facilities District. Failure to develop the undeveloped property in the Community Facilities District or substantial delays in the completion of the development of the property may increase the amount of Special Taxes to be paid by the owners of undeveloped property and affect the willingness and ability of the owners of property within the Community Facilities District to pay the Special Taxes when due.

Certain species covered by the County's MSHCP are present within the undeveloped property within the Community Facilities District. Development will proceed subject to compliance with the MSHCP and all other applicable federal and state requirements. See "THE COMMUNITY FACILITIES DISTRICT—Environmental Approvals and Permits."

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of Taxable Property, other less common claims may occur. One of the most serious in terms of the potential reduction in the value of the parcels within the Community Facilities District is a claim with regard to hazardous substances. In general, the owners and operators of parcels within the Community Facilities District may be required by law to remedy conditions of the parcels related to the 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 substances condition of a property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within the Community Facilities District be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner (or operator) is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The assessed values of the property within the Community Facilities District do not take into account the possible reduction in marketability and value of any of the parcels of Taxable Property by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The Community Facilities District has not independently verified and is not aware that any of the owners (or operators) of property within the Community Facilities District have such a current liability with respect to any of the parcels of Taxable Property, except as expressly noted. However, it is possible that such liabilities do currently exist and that the Community Facilities District is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels of Taxable Property 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 or disposing of it. All of these possibilities could significantly affect the value of a Taxable Property that is realizable upon a delinquency.

Insufficiency of the Special Tax

The principal source of payment of principal of and interest on the Series 2015 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the maximum tax rates authorized and under the Rate and Method, under no circumstances shall the Special Taxes levied against any Parcel of Developed Property that is Residential Property be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the Community Facilities District by more than ten percent (10%). The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Series 2015 Bonds. Other funds which might be available include funds derived from the payment of penalties on

delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

The levy of the Special Tax will rarely, if ever, result in a uniform relationship between the value of particular Taxable Property and the amount of the levy of the Special Tax against such parcels. Thus, there will rarely, if ever, be a uniform relationship between the value of such parcels and the proportionate share of debt service on the Series 2015 Bonds, and certainly not a direct relationship.

The Special Tax levied in any particular tax year on a Taxable Property is based upon the revenue needs of the Community Facilities District and application of the Rate and Method. Application of the Rate and Method will, in turn, be dependent upon certain development factors with respect to each Taxable Property by comparison with similar development factors with respect to the other Taxable Property within the Community Facilities District. Thus, in addition to annual variations of the revenue needs from the Special Tax, the following are some of the factors which might cause the levy of the Special Tax on any particular Taxable Property to vary from the Special Tax that might otherwise be expected:

(1) Failure of the owners of Taxable Property to pay the Special Tax and delays in the collection of or inability to collect the Special Tax by tax sale or foreclosure and sale of the delinquent parcels, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

(2) Reduction in the amount of Taxable Property, for such reasons as acquisition of Taxable Property by a government agency and failure of the government agency to pay the Special Tax based upon a claim of exemption or, in the case of the federal government or an agency thereof, immunity from taxation, thereby resulting in an increased tax burden on the remaining parcels of Taxable Property.

Except as set forth above under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS" herein, the Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Proceeds of Foreclosure Sales" and in the Act, is subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes. In addition to the foregoing, if taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Beneficial Owners of Series 2015 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Community Facilities District of the proceeds of sale if the Reserve Account is depleted. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Proceeds of Foreclosure Sales."

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 Series 2015 Bonds are derived, are customarily billed to the properties within the Community Facilities District 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 "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Proceeds of Foreclosure Sales," for a discussion of the provisions which apply, and procedures which the Community Facilities District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay" below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes

and assessments and limitations on the Community Facilities District's ability to foreclose on the lien of the Special Taxes in certain circumstances.

Exempt Properties

Certain properties are exempt from the Special Tax in accordance with the Rate and Method. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS—Rate and Method" herein. In addition, the Act provides that properties or entities of the state, federal or local government are exempt from the Special Tax; provided, however, that property within the Community Facilities District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although 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, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to the County or other public entities, this additional property might become exempt from the Special Tax.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax.

Depletion of Reserve Fund

The Reserve Fund is maintained in an amount equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Reserve Fund." Funds in the Reserve Fund may be used to pay principal of and interest on the Series 2015 Bonds in the event the proceeds of the levy and the collection of the Special Taxes against the property in the Community Facilities District is not sufficient. If the Reserve Fund is depleted, the funds can be replenished from the proceeds of the levy and collection of the Special Tax that are in excess of the amount required to pay Administrative Expenses and principal and interest on the Series 2015 Bonds. However, no replenishment of the Reserve Fund from the proceeds of the Special Taxes can occur as long as the proceeds that are collected from the levy of the Special Taxes at the maximum tax rates, together with available funds, remain insufficient to pay all such amounts. Thus, it is possible that the Reserve Fund will be depleted and not replenished by the levy of the Special Taxes.

Potential Delay and Limitations in Foreclosure Proceedings

The payment of property owners' taxes and the ability of the Community Facilities 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 "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales" and "SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay" herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

The ability of the Community Facilities District to collect interest and penalties specified by State law and to foreclose against properties having delinquent Special Tax installments may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") has or obtains an interest. The FDIC could obtain such an interest by taking over a financial institution which has made a loan which is secured by property within the Community Facilities District. See "SPECIAL RISK FACTORS — FDIC/Federal Government Interests in Properties."

In addition, potential investors should be aware that judicial foreclosure proceedings are not summary remedies and can be subject to significant procedural and other delays caused by crowded court calendars and other factors beyond control of the Community Facilities District or the County. Potential investors should assume that, under current conditions, it is estimated that a judicial foreclosure of the lien of Special Taxes will take up to two or three years from initiation to the lien foreclosure sale. At a Special Tax lien foreclosure sale, each parcel will be sold for not less than the "minimum bid amount" which is equal to the sum of all delinquent Special Tax installments, penalties and interest thereon, costs of collection (including reasonable attorneys' fees), post-judgment interest and costs of sale. Each parcel is sold at foreclosure for the amounts secured by the Special Tax lien on such parcel and multiple parcels may not be aggregated in a single "bulk" foreclosure sale. If any parcel fails to obtain a "minimum bid," the Community Facilities District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such superior court approval requires the consent of a majority of the aggregate principal amount of the outstanding Series 2015 Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Beneficial Owners of the Series 2015 Bonds. High rates of special tax payment delinquencies which continue during the pendency of protracted Special Tax lien foreclosure proceedings, could result in the rapid, total depletion of the Reserve Fund prior to replenishment from the resale of property upon foreclosure. In that event, there could be a default in payment of the principal of, and interest on, the Series 2015 Bonds. See "— Concentration of Ownership" above.

Funds Invested in the County Investment Pool

On January 24, 1996, the United States Bankruptcy Court for the Central Community Facilities District of California held that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county. Following payment of the Special Taxes to the Community Facilities District, such funds may be invested in the name of the Community Facilities District for a period of time in the County investment pool. In the event of a petition of or the adjustment of County debts under Chapter 9 of the Federal Bankruptcy Code, a court might hold that the Beneficial Owners of the Series 2015 Bonds do not have a valid and/or prior lien on the Special Taxes or debt service payments where such amounts are deposited in the County investment pool and may not provide the Beneficial Owners of the Series 2015 Bonds with a priority interest in such amounts. In that circumstance, unless the Beneficial Owners of the Series 2015 Bonds could "trace" the funds that have been deposited in the County investment pool, the Beneficial Owners of the Series 2015 Bonds would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Beneficial Owners of the Series 2015 Bonds could successfully so trace the Special Taxes or debt service payments.

No Acceleration Provision

The Series 2015 Bonds do not contain a provision allowing for the acceleration of the Series 2015 Bonds in the event of a payment default or other default under the terms of the Series 2015 Bonds or the Indenture or in the event interest on the Series 2015 Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture and further subject to the prior lien of owners of Series 2015 Bonds, an owner is given the right for the equal benefit and protection of all owners of a series similarly situated to pursue certain remedies described in APPENDIX C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Bankruptcy and Foreclosure Delay

Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of Beneficial Owners of the Series 2015 Bonds. The payment of property owners' taxes and the ability of the Community Facilities 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 "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — 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.

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 Series 2015 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.

Moreover, the ability of the Community Facilities District to commence and prosecute enforcement proceedings may be limited by bankruptcy, insolvency and other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940) and by the laws of the State relating to judicial foreclosure.

FDIC/Federal Government Interests in Properties

The ability of the Community Facilities District to collect interest and penalties specified by the Act and to foreclose the lien of delinquent Special Taxes may be limited in certain respects with regard to parcels in which the FDIC, or other federal government entities such as Fannie Mae, Freddie Mac, the Drug Enforcement Agency, the Internal Revenue Service or other federal agency, has or obtains an interest.

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

The FDIC has taken a position similar to that expressed in the Policy Statement in legal proceedings brought against Orange County in United States Bankruptcy Court and in Federal District Court. The Bankruptcy Court issued a ruling in favor of the FDIC on certain of such claims. Orange County appealed that ruling, and the FDIC cross-appealed. On August 28, 2001, the Ninth Circuit Court of Appeals issued a ruling favorable to the FDIC except with respect to the payment of pre-receivership liens based upon delinquent property tax.

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

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

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the Community Facilities District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest. For a discussion of risks associated with taxable parcels within the Community Facilities

District becoming owned by the federal government, federal government entities or federal government sponsored entities, see “— Insufficiency of the Special Tax.”

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

Factors Affecting Parcel Values and Aggregate Value

Geologic, Topographic and Climatic Conditions; Natural Disasters. The value of the Taxable Property in the Community Facilities District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of Taxable Property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. If one or more of such conditions occur and results in damage to improvements of varying seriousness, such damage may entail significant repair or replacement costs and repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear. As required by the County General Plan and applicable Specific Plans, in certain cases, commercial uses and future homeowner’s associations are required to prepare disaster preparedness plans that include evacuation procedures in the event of a disaster.

State of Emergency Proclamation Regarding Drought. On January 17, 2014, with California facing water shortfalls in the then driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In the State of Emergency declaration, Governor Brown directed state officials to assist farmers and communities that are economically impacted by dry conditions and to ensure the State can respond if Californians face drinking water shortages. The Governor also directed state agencies to use less water and hire more firefighters and initiated a greatly expanded water conservation public awareness. In addition, the proclamation gave state water officials more flexibility to manage supply throughout California under drought conditions.

The Governor’s drought State of Emergency follows a series of actions the administration has taken to ensure that California is prepared for record dry conditions. In May 2013, Governor Brown issued an Executive Order to direct state water officials to expedite the review and processing of voluntary transfers of water and water rights. In December 2014, the Governor formed a Drought Task Force to review expected water allocations, California’s preparedness for water scarcity and whether conditions merit a drought declaration.

On April 1, 2015, for the first time in state history, the Governor directed the State Water Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25 percent. On May 5, 2015, the State Water Resources Control Board adopted its Resolution No. 2015-0032, adopting an emergency regulation with respect to such water usage reductions.

The implementation of mandatory water reductions is ongoing. The Community Facilities District cannot predict how long the drought conditions will last, what effect drought conditions may have on property values or whether to what extent water reduction requirements may affect the homeowners or development in the Community Facilities District.

Seismic Conditions. The Community Facilities District, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in the Community Facilities District could result in substantial damage to properties in the Community Facilities District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in greater reliance on undeveloped property in the payment of Special Taxes.

Legal Requirements. Other events which may affect the value of a parcel of Taxable Property in the Community Facilities District include changes in the law or application of the law. Such changes may include, without limitation, local growth control initiatives, local utility connection moratoriums and local application of statewide tax and governmental spending limitation measures.

Billing of Special Taxes

A special tax formula can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the community facilities district.

Under provisions of the Act, the Special Taxes are billed to the properties within the Community Facilities District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales" for a discussion of the provisions which apply and procedures which the Community Facilities District is obligated to follow in the event of delinquency in the payment of installments of Special Taxes.

Inability to Collect Special Taxes

In order to pay debt service on the Series 2015 Bonds, it is necessary that the Special Tax levied against land within the Community Facilities District be paid in a timely manner. The Community Facilities District has covenanted in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the Series 2015 Bonds. If foreclosure proceedings were 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. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Series 2015 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. 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. Although the Act authorizes the Community Facilities District to cause such an action to be commenced and diligently pursued to completion, the Act does not obligate the Community Facilities District to purchase or otherwise acquire any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales."

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 of California 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 as they may relate to community facilities districts are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the Community Facilities District to pay the principal of and interest on the Series 2015 Bonds as described below.

Among other things, Section 3 of Article XIIC states that “. . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, the Act prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to the Act unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. 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 Series 2015 Bonds.

It may be possible, however, for voters or the Board of Supervisors of the County acting as the legislative body of the Community Facilities District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2015 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 Series 2015 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 Community Facilities District will covenant in the Indenture that it will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Series 2015 Bonds. The Community Facilities District also will covenant in the Indenture that, if an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Series 2015 Bonds, the Community Facilities District will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Series 2015 Bonds. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

real property in the entire City. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

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

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (viz., all of the registered voters in the City). The election held in the Community Facilities District had no registered voters within the Community Facilities District 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 the Community Facilities District. Moreover, Section 53341 of the Act provides that any "action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters." Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within the Community Facilities District approved the Special Tax and the issuance of bonds on June 12, 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 Rate and Method may now be brought.

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

Ballot Initiatives; State Legislation

Articles 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 limitation or established minimum funding provision 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 or legislation enacted by the Legislature. The adoption of any such initiative or legislation might place limitations on the ability of the State, the County, or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the Community Facilities District to complete the remaining proposed development.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2015 Bonds or, if a secondary market exists, that the Series 2015 Bonds can be sold at all or for any particular price. Although the Community Facilities 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 Beneficial Owners of the Series 2015 Bonds 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.

Loss of Tax Exemption; Tax Treatment of the Series 2015 Bonds

As discussed under the caption "LEGAL MATTERS — Tax Matters," the interest on the Series 2015 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2015 Bonds as a result of an act or omission of the Community Facilities District in violation of certain provisions of the Code and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2015 Bonds, the Community Facilities District has covenanted in the Indenture not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2015 Bonds under Section 103 of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Series 2015 Bonds are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption or mandatory sinking fund redemption provisions of the Indenture. See "THE SERIES 2015 BONDS — Redemption."

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding any enactment of any such future legislation, as to which Bond Counsel expresses no opinion.

It is possible that subsequent to the issuance of the Series 2015 Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Series 2015 Bonds or the market value of the Series 2015 Bonds. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Series 2015 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2015 Bonds. No assurance can be given that subsequent to the issuance of the Series 2015 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Series 2015 Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Series 2015 Bonds.

Limitations on Remedies

Remedies available to the Beneficial Owners of the Series 2015 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 Series 2015 Bonds or to preserve the tax-exempt status of the Series 2015 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2015 Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. The Series 2015 Bonds are not subject to acceleration. 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 Beneficial Owners of the Series 2015 Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), by and between the Community Facilities District and the Trustee, the Community Facilities District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) website, or other repository authorized under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission, certain annual financial information and operating data concerning the Community Facilities District. The Annual Report to be filed by the Community Facilities District is to be filed not later than April 1 of each year, beginning April 1, 2016, and is to include audited financial statements of the Community Facilities District, if any. The full text of the Continuing Disclosure Agreement is set forth in APPENDIX D — "FORM OF CONTINUING DISCLOSURE AGREEMENT OF THE COMMUNITY FACILITIES DISTRICT."

Notwithstanding any provision of the Indenture, failure of the Community Facilities District to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Indenture. However, any holder of the Series 2015 Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the Community Facilities District to comply with its obligations with respect to the Continuing Disclosure Agreement.

No Prior Community Facilities District Undertaking. The Community Facilities District has never entered into a prior continuing disclosure obligation under Rule 15c2-12(b)(5) (the "Rule").

Compliance by the County and certain Related Entities with Continuing Disclosure Undertakings. The Community Facilities District (not the County) is obligated to comply with the Continuing Disclosure Agreement and, through the Continuing Disclosure Agreement, the Rule. However, the County Council of the County is the legislative body of the Community Facilities District and the County's other community facilities districts and the Community Facilities District and the County's other community facilities districts have no employees or staff independent of the County.

A review of compliance with disclosure undertakings by the County and certain of its related entities for filings since July 1, 2010, indicates that the County and certain of its related entities have not fully complied in certain respects with continuing disclosure obligations related to outstanding indebtedness. Identification of the below described events does not constitute a representation by the County or a related entity that any of such events were material. Such failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers insuring the indebtedness of the County or its related entities; and (ii) missing, incomplete or late filing of annual reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the County's General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County.

For example, with respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), no filings were submitted to the MSRB for Fiscal Years 2009-10 through 2012-13, and with respect to certain redevelopment issuances involving the Riverside County Public Financing Authority, no filings were made to the MSRB in fiscal years 2010-11, 2011-12 and 2012-13. The Housing Authority of the County of Riverside submitted to EMMA the financial statements of the Redevelopment Agency of the City of Corona for fiscal years 2009-10 through 2012-13.

The County and its related entities have internally reviewed their previous filings and have made additional filings to provide certain of the previously omitted information. With respect to notices or rating changes, the County and its related entities prepared and filed an omnibus corrective notice regarding bond insurer ratings and ratings of the County's general fund debt.