

SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



ITEM  
8.1  
(ID # 4169)

MEETING DATE:

Tuesday, May 2, 2017

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Issuance of the County of Riverside Community Facilities District No. 07-2 (Clinton Keith Road) Special Tax Bonds, Series 2017 (the "Series 2017 Bonds"), All Districts. [\$296,000 - 100% Bond Proceeds] (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution No. CFD 2017-01;
  - (a) authorizing the issuance of Community Facilities District No. 07-2 Series 2017 Special Tax Bonds in an aggregate principal amount not to exceed \$8,500,000,
  - (b) authorizing the execution and delivery of an Indenture, a Bond Purchase Agreement, an Escrow Agreement, and a Continuing Disclosure Agreement, and
  - (c) authorizing the preparation of an Official Statement and all other matters related thereto.

ACTION: Policy

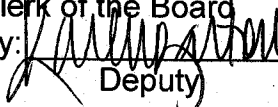
  
Stephanie P. Rossi 4/20/2017

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MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington and Ashley  
Nays: None  
Absent: None  
Date: May 2, 2017  
xc: EO

Kecia Harper-Ihem  
Clerk of the Board  
By:   
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

<b>FINANCIAL DATA</b>	<b>Current Fiscal Year:</b>	<b>Next Fiscal Year:</b>	<b>Total Cost:</b>	<b>Ongoing Cost</b>
<b>COST</b>	\$ 296,000	\$ 0	\$ 296,000	\$ 0
<b>NET COUNTY COST</b>	\$ 0	\$ 0	\$ 0	\$ 0
<b>SOURCE OF FUNDS: CFD 07-2 Bond Proceeds</b>			<b>Budget Adjustment:</b>	No
			<b>For Fiscal Year:</b>	16/17

**C.E.O. RECOMMENDATION:** APPROVE

**BACKGROUND:**

**Summary**

Community Facilities District No. 07-2 (Clinton Keith Road) was formed on June 26, 2007 to finance the widening of Clinton Keith Road between Antelope Road and State Route 79 including all associated appurtenances and any rights-of-way required from properties that have not been conditioned to dedicate such rights-of-way as a condition of development bringing into conformance said facility with the TUMF and RBD Programs.

On June 18, 2007, a landowner election was held, authorizing the community facilities district ("CFD") to incur bonded indebtedness.

In June 2015, Community Facilities District No. 07-2 (Clinton Keith Road), Series 2015 was issued in the amount of \$27,170,000. This was the first issuance of bonds for the district.

The original bond issuance was anticipated to be sold in full immediately following the formation of the district. Due to market conditions at the time, the financing delayed. Due to current market conditions, the transportation department has now phased the project. The Series 2015 funded the construction of Clinton Keith Road between Whitewood Road and Trois Valley Street as a four-lane road. The Series 2017 Bonds will partially fund construction of a six-lane facility 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. This phase 3 will cost approximately \$20 million. The Series 2017 will be issued in the amount of \$8.5 million of which \$3 million will be applied to the construction and \$4 million to reimburse developer deposits. The Series 2017 Bonds will have a term of 28 years to coincide with the maturity of the Series 2015 Bonds.

If approved, staff recommends issuing approximately \$8.5 million in fixed interest rate bonds. The anticipated net interest cost is 4.9%. The average annual debt service is anticipated to be approximately \$544,000. The special tax is anticipated to be levied on developed property.

The proposed sale and issuance of the Series 2017 Bonds has been reviewed and approved by the County's Debt Advisory Committee.

**Impact on Citizens and Businesses**

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA**

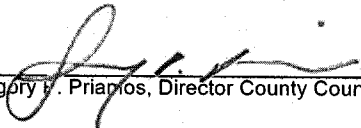
The property owners of developed parcels within the boundaries of this district are currently being assessed taxes for this project. After the financing, taxes will be levied on developed and approved properties.

**SUPPLEMENTAL:**

**Additional Fiscal Information**

See the attached financing documents.

Prior Agenda item:

  
\_\_\_\_\_  
Gregory F. Priamos, Director County Counsel      4/24/2017

RESOLUTION NO. CFD 2017-01

**A RESOLUTION OF THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$8,500,000 AGGREGATE PRINCIPAL AMOUNT OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE SPECIAL TAX BONDS, SERIES 2017, AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL INDENTURE, A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE AGREEMENT AND THE PREPARATION OF AN OFFICIAL STATEMENT AND OTHER MATTERS RELATED THERETO**

**WHEREAS**, the Board of Supervisors (the "Board of Supervisors") of the County of Riverside (the "County") has formed Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "Community Facilities District") under the Mello-Roos Community Facilities Act of 1982 (the "Act");

**WHEREAS**, pursuant to the Act, the Board of Supervisors is the *ex officio* legislative body (the "Legislative Body") of the Community Facilities District;

**WHEREAS**, the Community Facilities District is authorized under the Act to levy special taxes (the "Special Taxes") to finance certain public facilities (the "Facilities") and to issue bonds payable from the Special Taxes;

**WHEREAS**, in order to provide funds to finance certain of the Facilities, the Community Facilities District previously issued its 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 \$25,170,000;

**WHEREAS**, the Series 2015 Bonds were issued pursuant to the Indenture, dated as of August 1, 2015 (the "Original Indenture"), by and between the Community Facilities District and U.S. Bank National Association, as Trustee (the "Trustee") (capitalized undefined terms used herein have the meanings ascribed thereto in the Original Indenture);

**WHEREAS**, the Original Indenture provides that the Community Facilities District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Net Special Tax Revenues as provided therein on a parity with all other Bonds theretofore issued thereunder, but only subject to the conditions set forth therein;

FORM APPROVED COUNTY COUNSEL  
BY: [Signature] DATE: 4/25/17  
DALE A. GARDNER

**WHEREAS**, in order to provide funds to finance certain additional Facilities, the Community Facilities District desires to issue a Series of Additional Bonds, to be designated the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the "Series 2017 Bonds"), in the aggregate principal amount of not to exceed \$8,500,000;

**WHEREAS**, the Original Indenture provides that the Original Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners thereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into without the consent of any Owners to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Original Indenture;

**WHEREAS**, in order to provide for the authentication and delivery of the Series 2017 Bonds, to establish and declare the terms and conditions upon which the Series 2017 Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Community Facilities District proposes to enter into a First Supplemental Indenture with the Trustee (such First Supplemental Indenture, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "First Supplemental Indenture");

**WHEREAS**, Piper Jaffray & Co. (the "Underwriter"), has presented the Community Facilities District with a proposal, in the form of a Bond Purchase Agreement, to purchase the Series 2017 Bonds from the Community Facilities District (such Bond Purchase Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Agreement");

**WHEREAS**, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Series 2017 Bonds, the underwriter thereof must have reasonably determined that the Community Facilities District has, or one or more appropriate obligated persons have, undertaken in a written agreement or contract for the benefit of the holders of the Series 2017 Bonds to provide disclosure of certain financial information and certain material events on an ongoing basis;

**WHEREAS**, in order to cause such requirement to be satisfied, the Community Facilities District desires to enter into a Continuing Disclosure Agreement with the Trustee (such Continuing Disclosure Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Continuing Disclosure Agreement");

**WHEREAS**, a form of the Preliminary Official Statement to be distributed in connection with the public offering of the Series 2017 Bonds has been prepared (such Preliminary Official Statement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement");

**WHEREAS**, there have been prepared and submitted to this meeting forms of:

- (a) the First Supplemental Indenture;
- (b) the Purchase Agreement;
- (c) the Continuing Disclosure Agreement; and
- (d) the Preliminary Official Statement;

**WHEREAS**, the Community Facilities District desires to authorize the issuance of the Series 2017 Bonds and the execution of such documents and the performance of such acts as may be necessary or desirable to effect the issuance of the Series 2017 Bonds;

**NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE ACTING *EX OFFICIO* AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE**, in regular session assembled on May 2, 2017, does hereby resolve, find, determine and order as follows:

**Section 1.** The foregoing recitals are true and correct.

**Section 2.** Subject to the provisions of Section 3 hereof, the issuance of the Series 2017 Bonds, in an aggregate principal amount of not to exceed \$8,500,000, on the terms and conditions set forth in, and subject to the limitations specified in, the First Supplemental Indenture, is hereby authorized and approved. The Series 2017 Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be subject to call and redemption, shall be issued in the form and shall be as otherwise provided in the First Supplemental Indenture, as the same shall be completed as provided in this Resolution.

**Section 3.** The First Supplemental Indenture, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. Each of the Chairman of the Legislative Body, and such other members of the Legislative Body as the Chairman may designate, the County Executive Officer of the County, the Chief Assistant County Executive Officer of the County, the Deputy County Executive Officer of the County and the County Finance Director of the County, and such other officers of the County as the County Executive Officer may designate (the "Authorized Officers") is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the Community Facilities District, to execute and deliver the First Supplemental Indenture in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the First Supplemental Indenture by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not authorize an aggregate principal amount of Series 2017 Bonds in excess of \$8,500,000, shall not result in a final maturity date of the Series 2017 Bonds later than September 1, 2045 and shall not result in a true interest cost for the Series 2017 Bonds in excess of 6.00%.

**Section 4.** The Purchase Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the Community Facilities District, to execute and deliver the Purchase Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Purchase Agreement by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not result in an aggregate underwriter's discount (not including any original issue discount) from the principal amount of the Series 2017 Bonds in excess of 0.60% of the aggregate principal amount of the Series 2017 Bonds. The Legislative Body hereby finds and determines that the sale of the Series 2017 Bonds at negotiated sale as contemplated by the Purchase Agreement will result in a lower overall cost.

**Section 5.** The Continuing Disclosure Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the Community Facilities District, to execute and deliver the Continuing Disclosure Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Agreement by such Authorized Officer.

**Section 6.** The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Series 2017 Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the Community Facilities District that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

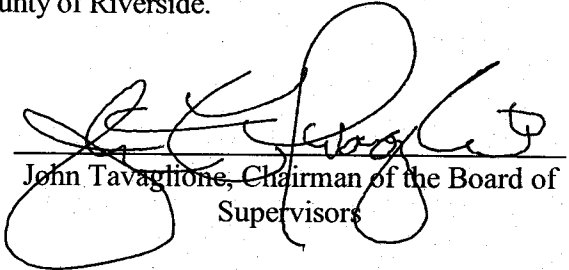
**Section 7.** The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Series 2017 Bonds, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement, with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the Community Facilities District, to execute the final Official Statement and any amendment or supplement thereto.

**Section 8.** The assessed values of the property within the Community Facilities District are set forth in the Preliminary Official Statement and the value-to-lien information with respect thereto is set forth therein and, based thereon, the Legislative Body, for purposes of Section 53345.8 of the Act, hereby finds and determines that the value of the real property that

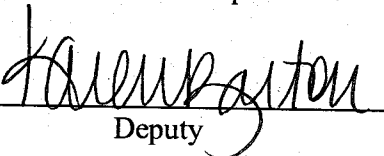
would be subject to the Special Tax to pay debt service on the Series 2017 Bonds will be at least three times the principal amount of the Series 2017 Bonds to be sold and the principal amount of all other bonds outstanding that are secured by a special tax levied pursuant to the Act on property within the Community Facilities District or a special assessment levied on property within the Community Facilities District.

**Section 9.** The officers of the County, acting *ex officio* on behalf of the Community Facilities District, are, and each of them is, hereby authorized and directed to do any and all things, and to execute and deliver any and all documents which said officers may deem necessary or advisable in order to accomplish the purposes of this Resolution and not inconsistent with the provisions hereof.

**ADOPTED, SIGNED AND APPROVED** this 2nd day of May, 2017, by the Board of Supervisors of the County of Riverside, acting *ex officio* as the Legislative Body of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside.

  
John Tavaglione, Chairman of the Board of  
Supervisors

ATTEST:  
Kecia Harper-Ihem  
Clerk of the Board of Supervisors

By:   
Deputy



STATE OF CALIFORNIA )  
 )  
COUNTY OF RIVERSIDE )      ss.

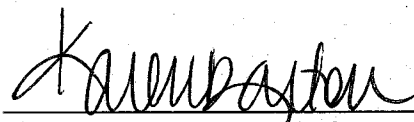
I, Kecia Harper-Ihem, Clerk of the Board of Supervisors of the County of Riverside, California, acting *ex officio* as the Clerk of the Legislative Body for Community Facilities Districts for the County of Riverside, do hereby certify that the foregoing Resolution No. CFD 2017-01 was duly adopted by the Board of Supervisors of said County, acting *ex officio* as the Legislative Body of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside, at a meeting of said Board held on the 2<sup>nd</sup> day of May, 2017, and that it was so adopted by the following vote:

AYES:                      Jeffries, Tavaglione, Washington and Ashley

NOES:                      None

ABSTAIN:                      None

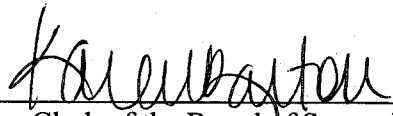
ABSENT:                      None

  
\_\_\_\_\_, Deputy  
Clerk of the Board of Supervisors  
of the County of Riverside, *ex officio* the  
Clerk of the Legislative Body

STATE OF CALIFORNIA )  
 )  
COUNTY OF RIVERSIDE )      ss.

I, Kecia Harper-Ihem, Clerk of the Board of Supervisors of the County of Riverside, California, acting *ex officio* as the Clerk of the Legislative Body for Community Facilities Districts for the County of Riverside, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. CFD 2017-01 of the Board of Supervisors of said County, acting *ex officio* as the legislative body of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside, and that the same has not been amended or repealed.

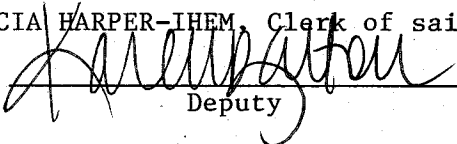
Dated: May 2, 2017

  
\_\_\_\_\_, Deputy  
Clerk of the Board of Supervisors  
of the County of Riverside, *ex officio* the  
Clerk of the Legislative Body

ROLL CALL:

Ayes:            Jeffries, Tavaglione, Washington and Ashley  
Nays:            None  
Absent:          None

The foregoing is certified to be a true copy of a resolution duly adopted by said Board of Supervisors on the date therein set forth.

KECIA HARPER-IHEM, Clerk of said Board  
By   
\_\_\_\_\_  
Deputy

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2017

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 2017 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 2017 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 amount, accrual or receipt of interest on, the Series 2017 Bonds. See "LEGAL MATTERS — Tax Matters" herein.*

**\$7,930,000\***

**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
OF THE COUNTY OF RIVERSIDE  
SPECIAL TAX BONDS, SERIES 2017**

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 2017 (the "Series 2017 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) increase the balance in the reserve fund to equal the Reserve Requirement as of the date of issuance of the Series 2017 Bonds and (iii) pay the costs of issuance with respect to the Series 2017 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 2017 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, as supplemented by that certain First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2017, each by and between the Community Facilities District and U.S. Bank National Association, as trustee (together, the "Indenture").

The Series 2017 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 Series 2017 Bonds are payable from Special Taxes on a parity with the Community Facilities District's 2015 Special Tax Bonds, which are currently outstanding in the aggregate principal amount of \$25,170,000 (the "Series 2015 Bonds").

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 BONDS." The Board of Supervisors of the County is the legislative body of the Community Facilities District.

The Series 2017 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 2017 Bonds will not receive certificates representing their beneficial ownership of the Series 2017 Bonds but will receive credit balances on the books of their respective nominees. Interest on the Series 2017 Bonds will be payable on September 1, 2017 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Series 2017 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 2017 Bonds. See "THE SERIES 2017 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 2017 Bonds. Except for the Net Special Tax Revenues (as defined herein), no other taxes are pledged to the payment of the Series 2017 Bonds. The Series 2017 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 2017 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 2017 BONDS — Redemption" herein.

**Certain events could affect the ability of the Community Facilities District to pay the principal of and interest on the Series 2017 Bonds when due. The purchase of the Series 2017 Bonds involves significant investment risks, and the Series 2017 Bonds may not be a 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 2017 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.

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MATURITY SCHEDULE  
(See Inside Cover Page)

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The Series 2017 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 2017 Bonds. Certain legal matters will be passed on for the County and the Community Facilities District by County Counsel and for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, as counsel to the Underwriter. It is anticipated that the Series 2017 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2017.

**Piper Jaffray**

Dated: \_\_\_\_\_, 2017

\* 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**  
**\$ \_\_\_\_\_ SERIAL BONDS**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.<sup>†</sup></i>
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					

**\$ \_\_\_\_\_ TERM BONDS**

\$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_\_, Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP No.<sup>†</sup> \_\_\_\_\_  
 \$ \_\_\_\_\_ % Term Bonds due September 1, 20\_\_\_, Yield: \_\_\_\_\_ % Price: \_\_\_\_\_ CUSIP No.<sup>†</sup> \_\_\_\_\_

<sup>†</sup> Copyright 2017, American Bankers Association. 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. Neither the Community Facilities District nor the Underwriter or its counsel take any responsibility for the accuracy of CUSIP data in this Official Statement. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017 Bonds.

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

**COUNTY OF RIVERSIDE  
STATE OF CALIFORNIA**

**BOARD OF SUPERVISORS**

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

**COUNTY OFFICIALS**

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

**SPECIAL SERVICES**

**Bond Counsel**

Orrick Herrington & Sutcliffe, LLP  
Los Angeles, California

**Disclosure Counsel**

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

**Municipal 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 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The Series 2017 Bonds have not been registered or qualified under the securities laws of any state.**

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[INSERT CFD MAP]

[INSERT REGIONAL MAP]

## OFFICIAL STATEMENT

**\$7,930,000\***  
**COMMUNITY FACILITIES DISTRICT NO. 07-2**  
**(CLINTON KEITH)**  
**OF THE COUNTY OF RIVERSIDE**  
**SPECIAL TAX BONDS, SERIES 2017**

### 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 2017 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 \$7,930,000\* Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the “Series 2017 Bonds”). The proceeds of the Series 2017 Bonds, together with certain existing funds of the Community Facilities District, will be used to (i) finance various public improvements needed to develop property located within the Community Facilities District, (ii) increase the balance in the reserve fund to equal the Reserve Requirement upon issuance of the Series 2017 Bonds, and (iii) pay costs of issuance of the Series 2017 Bonds. See “SOURCES AND USES OF FUNDS” herein.

The Series 2017 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, as supplemented by that certain First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2017 (together, the “Indenture”), each by and between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”). The Series 2017 Bonds will be secured under the Indenture by a lien on and security interest in Net Special Tax 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. The Series 2017 Bonds are payable from Net Special Tax Revenues on a parity with the Community Facilities District’s Special Tax Bonds, Series 2015, which are currently outstanding in the aggregate principal amount of \$25,170,000 (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 and the Series 2017 Bonds (“Additional Bonds”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.” The term “Bonds” means the Series 2015 Bonds and the Series 2017 Bonds together with any Additional Bonds. The Community Facilities District anticipates issuing Additional Bonds in the future.

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\* Preliminary, subject to change.

## **The Community Facilities District**

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

The Act was enacted by the California legislature to provide an alternative method of financing certain public capital facilities and services, especially in developing areas of the State. 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 18, 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 extension of the Clinton Keith Road between Antelope Road in the City of Murrieta and State Route 79 (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”). The Clinton Keith Road Extension is comprised of four construction phases. Phase 1 is complete, and Phase 2 is currently under construction. The total cost of all four phases is estimated at \$87,000,000, of which approximately \$20,000,000 will be paid for by the Community Facilities District with the Series 2015 Bonds and approximately \$3,000,000 with the Series 2017 Bonds. See “— The Project” below and “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 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 2017 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 completed by the City of Murrieta. Phase 2 of the Clinton Keith Road Extension, for which the Series 2015 Bonds were in part issued, entails the construction of a four-lane section from Whitewood Road to 1.7 miles easterly to Trois Valley Street, including the installation of traffic signals at Menifee Road and 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, for which the Series 2017 Bonds are in part being issued, includes construction of a six-lane facility 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 two lanes of the ultimate six-lane road section between Whitewood Road and Trois Valley Street. Phase 4 is anticipated to be constructed following the completion of Phase 2 in advance of Phase 3. In addition, upon completion of Phase 2, SR-79 will be accessible by way of Leon Road and Max Gillis Boulevard.

The total cost of the Clinton Keith Road Extension, is estimated to be \$87,000,000, of which Phase 3 is estimated at \$20,000,000. In addition to the Community Facilities District funds, the total Project is programmed to receive approximately \$16,286,000 in Measure A Regional Arterial funds from Riverside County Transportation Commission (“RCTC”), and approximately \$17,000,000 in Transportation Uniform Mitigation Fee (TUMF) funds from Western Riverside Council of Governments (“WRCOG”). Both RCTC and WRCOG provide funds for regional arterial systems. The Series 2017 Bonds are being issued, in part, to finance a portion of the remaining costs of the Community Facilities District associated with Phase 3, which is estimated to receive approximately \$3,000,000 from the Series 2017 Bonds.

**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 of each year. As of April 1, 2017, the Community Facilities District contains 1,820 taxable parcels, of which pursuant to the Rate and Method 1,645 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), 148 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 27 parcels representing approximately 328.86 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.

As of April 1, 2017, the total acreage of the taxable parcels within the Community Facilities District is approximately 647.58 acres, comprised of approximately 292.20 acres of Developed Property, approximately 26.52 acres of Approved Property, and approximately 328.86 acres of Undeveloped Property. As of April 1, 2017, within the Community Facilities District, there are 1,645 parcels of Developed Property, comprising 1,258 completed single family units and 122 multi-family units which have been completed and conveyed to

individual homeowners as of April 1, 2017, and 265 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, if enrolled at the Assigned Special Tax rate as expected for Fiscal Year 2017-18, are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds and the Series 2017 Bonds plus administrative expenses of the Community Facilities District. Approved Property and Undeveloped Property are not expected to be levied by the Community Facilities District until such parcels become Developed Property or Additional Bonds are issued. See “THE COMMUNITY FACILITIES DISTRICT” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.” However, Additional Bonds may be issued under certain conditions on a parity with the Series 2015 Bonds and the Series 2017 Bonds which could potentially cause a portion of the debt service on the Series 2017 Bonds to be expected to be payable from Special Taxes from Approved Property and Undeveloped Property. See “THE COMMUNITY FACILITIES DISTRICT,” “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds” and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

According to the Riverside County Assessor’s Office, the assessed value for Fiscal Year 2016-17 for the January 1, 2016 lien date of the property within the Community Facilities District classified as Developed Property for the Fiscal Year 2016-17 Special Tax levy was \$416,307,165. Additionally, the Fiscal Year 2016-17 assessed value of all the taxable property within the Community Facilities District was \$448,079,865 resulting in an estimated assessed value-to-lien ratio of approximately 6.51\*-to-1 for Developed Property, Approved Property, and Undeveloped Property based on the principal amount of the Series 2015 Bonds, the Series 2017 Bonds (allocated to each parcel of Developed Property within the Community Facilities District based on the proportion of the Fiscal Year 2016-17 Special Taxes on such parcels) and other overlapping debt secured by special taxes and assessments and overlapping general obligation debt and debt secured by *ad valorem* taxes on such property. The estimated assessed value-to-lien ratio is approximately 7.93\*-to-1 for Developed Property, Approved Property and Undeveloped Property based on the principal amount of the Series 2015 Bonds, the Series 2017 Bonds and other overlapping debt secured by special taxes and assessments (and excluding overlapping general obligation debt within the Community Facilities District and debt secured by *ad valorem* taxes on such property). See “THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios” herein.

### **Security and Sources of Payment for the Bonds**

**General.** The Series 2017 Bonds are special obligations of the Community Facilities District, and the interest on and principal of and redemption premiums, if any, on the Series 2017 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. The Series 2017 Bonds are secured on a parity with the Community Facilities District’s outstanding Series 2015 Bonds. 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 and the Series 2017 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

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\* Preliminary, subject to change.

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 and the Series 2017 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 and the Series 2017 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 and the Series 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The Series 2017 Bonds are payable on a parity with the Series 2015 Bonds from Net Special Tax Revenues and from certain other funds pledged under the Indenture. Under the terms of the Indenture, under certain conditions the Community Facilities District may issue, and the Community Facilities District anticipates issuing, additional bonds secured by the Net Special Tax Revenues of the Community Facilities District on a parity with the Series 2015 Bonds and the Series 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES BONDS — Additional Bonds."

***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 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 "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 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 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 AND THE SERIES 2017 BONDS. THE SERIES 2015 BONDS AND THE SERIES 2017 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 OR THE SERIES 2017 BONDS.

Under the terms of the Indenture, under certain conditions the Community Facilities District may issue, and the Community Facilities District anticipates issuing, Additional Bonds secured by the Net Special Tax Revenues of the Community Facilities District on a parity with the Series 2015 Bonds and the Series 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.”

### **Description of the Series 2017 Bonds**

The Series 2017 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 2017 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 2017 Bonds. In the event that the book-entry only system described herein is no longer used with respect to the Series 2017 Bonds, the Series 2017 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 2017 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 2017 Bonds, the Beneficial Owners will become the registered owners of the Series 2017 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 2017 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 2017 Bonds and the basic documentation pursuant to which they are being sold and delivered, see “THE SERIES 2017 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 2017 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 2017 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 amount, accrual or receipt of interest on, the Series 2017 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 2017 Bonds. Certain proceedings in connection with the



issuance and delivery of the Series 2017 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 2017 Bonds. Fieldman, Rolapp & Associates is acting as Municipal Advisor to the County in connection with the Series 2017 Bonds. Certain legal matters will be passed upon for the County and the Community Facilities District by County Counsel, and for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, 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 2017 Bonds, see “LEGAL MATTERS — Financial Interests” herein.

### **Continuing Disclosure**

The Community Facilities District will enter into a Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2017, 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, 2018, 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 2017 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 2017 Bonds. The Series 2017 Bonds are not rated by any nationally recognized rating agency. *The purchase of the Series 2017 Bonds involves significant investment risks, and the Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds will be deposited into the following respective accounts and funds established by the Community Facilities District under the Indenture, as follows:

<b>Sources:</b>	
Principal Amount of Bonds	\$ _____
[Plus: Net Original Issue Premium] [Less: Original Issue Discount]	_____
Total Sources	\$ _____
<b>Uses:</b>	
Reserve Fund <sup>(1)</sup>	\$ _____
Costs of Issuance Fund <sup>(2)</sup>	
Underwriter’s Discount	
Proceeds Account of Improvement Fund	_____
Total Uses	\$ _____

- 
- (1) Equal to the amount required to increase the balance on deposit in the Reserve Fund to the Reserve Requirement as of the date of delivery of the Series 2017 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, and the fees and expenses of the Trustee, Special Tax Consultant and the Municipal Advisor.

**THE SERIES 2017 BONDS**

**Authority for Issuance**

The Series 2017 Bonds will be issued pursuant to the Act, the Indenture and the Resolution Authorizing Issuance of the Series 2017 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 [April 25], 2017, as Resolution No. 2017-\_\_.

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 2017 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. CFD 2007-05 also adopted on June 12, 2007 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 18, 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 2017 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 September 1, 2017 (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 2017 Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiples thereof. So long as the Series 2017 Bonds are held in book-entry form, principal and interest on the Series 2017 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 2017 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that Series 2017 Bond, unless (i) a Series 2017 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 2017 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 2017 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 2017 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 2017 Bonds, which written request is received by the Trustee on or prior to the preceding Record Date.

The principal of the Series 2017 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.

The Series 2017 Bonds are payable on a parity with the Series 2015 Bonds from Net Special Tax Revenues and from certain other funds pledged under the Indenture. Under the terms of the Indenture, under certain conditions the Community Facilities District may issue, and the Community Facilities District

anticipates issuing, additional bonds secured by the Net Special Tax Revenues of the Community Facilities District on a parity with the Series 2015 Bonds and the Series 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.”

### Debt Service Schedule

The following table presents the annual debt service on the Series 2017 Bonds and the Series 2015 Bonds, assuming, in either case, there are no redemptions prior to maturity 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 2017 Bonds and/or Series 2015 Bonds on any Interest Payment Date from the proceeds of any prepayments of Special Taxes. Additionally, the Series 2017 Bonds are subject to optional redemption as described herein. See “THE SERIES 2017 BONDS — Redemption.”

<i>Period Ending September 1</i>	<i>Series 2017 Bonds Principal</i>	<i>Series 2017 Bonds Interest</i>	<i>Total Series 2017 Bonds Annual Debt Service</i>	<i>Total Series 2015 Bonds Annual Debt Service</i>	<i>Total Annual Debt Service<sup>(1)</sup></i>
2017				\$ 1,318,225.00	
2018				1,343,275.00	
2019				1,372,425.00	
2020				1,397,537.50	
2021				1,426,037.50	
2022				1,452,925.00	
2023				1,483,025.00	
2024				1,511,000.00	
2025				1,542,162.50	
2026				1,576,237.50	
2027				1,607,931.26	
2028				1,637,118.76	
2029				1,668,675.00	
2030				1,705,675.00	
2031				1,736,475.00	
2032				1,771,975.00	
2033				1,808,975.00	
2034				1,842,675.00	
2035				1,883,075.00	
2036				1,919,750.00	
2037				1,960,500.00	
2038				1,996,250.00	
2039				2,037,000.00	
2040				2,077,250.00	
2041				2,121,750.00	
2042				2,160,000.00	
2043				2,207,000.00	
2044				2,247,000.00	
2045					
<b>Total</b>				<u>\$48,811,925.02</u>	

<sup>(1)</sup> Equal to the sum of the amounts under the columns “Total Series 2017 Bonds Annual Debt Service” and “Total Series 2015 Bonds Annual Debt Service.”

Source: Underwriter.

### Redemption

**Optional Redemption.\*** The Series 2017 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

\* Preliminary, subject to change.

on or after September 1, 20\_\_, from any source of available funds, at a Redemption Price equal to the principal amount of the Series 2017 Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

**Mandatory Redemption from Special Tax Prepayments.\*** The Series 2017 Bonds are subject to mandatory redemption, in whole or in part, on any Interest Payment Date on or after September 1, 2017, 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 2017 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<i>Redemption Dates</i>	<i>Redemption Price</i>
September 1, 2017 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and each Interest Payment Date thereafter	100

**Mandatory Sinking Fund Redemption.** The Series 2017 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)

If some but not all of the Series 2017 Term Bonds of a maturity are redeemed pursuant to the optional redemption provisions of the Indenture described above, the principal amount of such Series 2017 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 2017 Term Bonds so optionally redeemed.

If some but not all of the Series 2017 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 2017 Term Bonds to be redeemed described above on any subsequent September 1 shall be reduced by the aggregate principal amount of the Series 2017 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 2017 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 2017 Bonds and the registered Owners of the Series 2017 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 2017 Bond numbers and the

maturity or maturities of the Series 2017 Bonds to be redeemed (except in the event of redemption of all of the Series 2017 Bonds of such maturity or maturities in whole), and shall require that such Series 2017 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 2017 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 2017 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 2017 Bonds, unless at the time such notice is given the Series 2017 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 2017 Bonds on the date fixed for redemption (the "Redemption Price"), and accrued interest on, the Series 2017 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 2017 Bonds. In the event a notice of redemption of Series 2017 Bonds contains such a condition and such moneys are not so received, the redemption of Series 2017 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 2017 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 2017 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2017 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 2017 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 2017 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2017 Bonds shall be held in trust for the account of the Owners of the Series 2017 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 2017 Bonds. The ownership of the Series 2017 Bonds will be established by the bond registration books held by the Trustee.

***Transfer or Exchange.*** Whenever any Series 2017 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 2017 Bond or Series 2017 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 2017 Bonds for a period of 15 days next preceding the date of any selection of the Series 2017 Bonds to be redeemed, or (ii) any Series 2017 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 BONDS**

### **Covenants and Warranties**

The Community Facilities District has covenanted in the Indenture to comply with the covenants and warranties therein. See Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants.”

### **Special Obligations**

The Series 2017 Bonds are special obligations of the Community Facilities District, and the interest on and principal of and redemption premiums, if any, on the Series 2017 Bonds are payable on a parity with the Series 2015 Bonds 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 2017 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 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 2017 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 2017 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 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 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 2017 BONDS. THE SERIES 2017 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 2017 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.

## **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 18, 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 \$8,028.30 per Acre, times the Acreage of the Parcel, for Fiscal Year 2017-18. This rate increases by 2.00% each July 1.

(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 \$1,278.73 per Residential Dwelling Unit (“RDU”) for the Parcels which were classified as Single Family Property for Fiscal Year 2017-18; \$969.10 for Parcels which were classified as Multifamily Property for Fiscal Year 2017-18, and \$8,028.30 per acre for Parcels that were classified as Non-Residential Property for Fiscal Year 2017-18. The Assigned Special Tax increases by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.

***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 BONDS — Proceeds of Foreclosure Sales" for a discussion of the Community Facilities District'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 and the Series 2017 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, 2017, assuming no delinquencies, the Maximum Special Taxes that could be levied on the owners of all Developed 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 and the Series 2017 Bonds plus the Community Facilities District's estimated Administrative Expenses. Assuming no delinquencies, the Fiscal Year 2017-18 Special Tax levy is projected to be paid from Developed Property, with no Special Tax levy on Approved Property or 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 and the Series 2017 Bonds plus estimated Administrative Expenses may be derived from Approved Property and 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 2017 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 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 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 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 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 withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Bond Fund. In the event that, on 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 2017 Bonds will be deposited into the Reserve Fund in an amount equal to the amount required to increase the balance in the Reserve Fund 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.

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

### **Additional Bonds**

The Community Facilities District may at any time after the issuance and delivery of the Series 2017 Bonds issue Additional Bonds in an aggregate amount not to exceed \$60,000,000, including the Outstanding



Series 2015 Bonds and the Outstanding Series 2017 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 and the Outstanding Series 2017 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 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 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, 2017, the Community Facilities District contains 1,820 taxable parcels, of which pursuant to the Rate and Method 1,645 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), 148 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 27 parcels representing approximately 328.86 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, 2017. As of April 1, 2017, the total acreage of the taxable parcels within the Community Facilities District is approximately 647.58 acres, comprised of approximately 292.20 acres of Developed Property, approximately 26.52 acres of Approved Property, and approximately 328.86 acres of Undeveloped Property. As of April 1, 2017, there are 1,645 parcels of Developed Property, comprising 1,258 single family residential units and 122 multi-family residential units which have been completed and conveyed to individual homeowners as of April 1, 2017, and 265 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, if enrolled at the Assigned Special Tax rate as expected for Fiscal Year 2017-18, are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds and the Series 2017 Bonds plus administrative expenses of the Community Facilities District.

Approved Property and Undeveloped Property are not expected to be levied by the Community Facilities District until such parcels become Developed Property or Additional Bonds are issued. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds.” However, Additional Bonds may be issued under certain conditions on a parity with the Series 2015 Bonds and the Series 2017 Bonds which could potentially cause part of the debt service on the Series 2015 Bonds and the Series 2017 Bonds to be payable from Special Taxes from Approved Property and Undeveloped Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds” and “SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality.”

According to the Riverside County Assessor’s Office, as of January 1, 2016, the assessed value for Fiscal Year 2016-17 for the January 1, 2016 lien date of the property within the Community Facilities District classified as Developed Property for the Fiscal Year 2016-17 Special Tax levy was \$416,307,165. Additionally, the Fiscal Year 2016-17 assessed value of all the taxable property within the Community Facilities District was \$448,079,865 resulting in an estimated assessed value-to-lien ratio of approximately 6.51\*-to-1 for Developed Property, Approved Property, and Undeveloped Property based on the principal amount of the Series 2015 Bonds and the Series 2017 Bonds (allocated to each parcel of Developed Property within the Community Facilities District based on the proportion of the Fiscal Year 2016-17 Special Taxes on such parcels) and other overlapping debt secured by special taxes and assessments, and overlapping general obligation debt on such property and debt secured by *ad valorem* taxes. The estimated assessed value-to-lien ratio is approximately 7.93\*-to-1 for Developed Property, Approved Property and Undeveloped Property based on the principal amount of the Series 2015 Bonds and the Series 2017 Bonds and other overlapping debt secured by special taxes and assessments and excluding overlapping general obligation debt on such property and debt secured by *ad valorem* taxes. See “— Estimated Assessed Value-to-Lien Ratios” herein.

Assuming no delinquencies, the Fiscal Year 2017-18 Special Tax levy is projected to be paid from Developed Property, with no Special Tax levy on Approved Property or Undeveloped Property. Special Taxes from Developed Property, if enrolled at the Assigned Special Tax rate as expected for Fiscal Year 2017-18, are expected to be at least 110% of maximum annual debt service on the Series 2015 Bonds and Series 2017 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 and the Series 2017 Bonds which could cause the Series 2015 Bonds and the Series 2017 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 BONDS — Additional Bonds” herein.

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, the Series 2017 Bonds and Additional Bonds may be used to finance the Facilities as authorized at the June 18, 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.

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\* Preliminary, subject to change.

**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, 2017, final tract maps had been recorded for approximately 16 tracts within the Community Facilities District totaling 318.72 acres, which include 1,645 residential units currently classified as Developed Property and 148 parcels of Approved Property (does not include the approximately 328.86 acres of Undeveloped Property described below). As of April 1, 2017, the 1,645 residential units currently classified as Developed Property within the Community Facilities District include 1,258 single family residential units and 122 multi-family residential units which have been completed and conveyed to individual homeowners, and 265 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 2017-18.

There are approximately 328.86 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. 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.”

**TABLE 1  
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
OF THE COUNTY OF RIVERSIDE  
ASSIGNED SPECIAL TAXES**

<i>Tax Class</i>	<i>Description</i>	<i>No. of Parcels</i>	<i>Fiscal Year 2017-18 Assigned Special Tax Per Parcel</i>	<i>Projected Fiscal Year 2017-18 Special Tax Per Parcel</i>	<i>Total Projected Fiscal Year 2017-18 Special Tax Levy<sup>(3)</sup> *</i>	<i>Percent of Total</i>
SFR	Single Family Residential	1,523	\$ 1,279	\$ 1,279	\$ 1,947,498	94.28%
MFR	Multifamily Residential	122	969	969	118,230	5.72
APP-SFR	Approved Property-Single Family Residential	148	1,279	0	0	0.00
UND	Undeveloped Property	<u>27<sup>(1)</sup></u>	<u>8,028<sup>(2)</sup></u>	<u>0</u>	<u>0</u>	<u>0.00</u>
<b>Totals</b>		1,820			\$ 2,065,729	100.00%

\* Preliminary, subject to change.

(1) The 27 parcels of Undeveloped Property comprise approximately 328.86 acres.

(2) Maximum Special Tax per acre of Undeveloped Property.

(3) Based upon debt service for the Series 2015 Bonds, preliminary Series 2017 Bond sizing and estimated Fiscal Year 2017-18 priority administration in the amount of \$72,828, plus surplus Special Taxes anticipated to be levied for Facilities. Developed Property is expected to be levied at Assigned Special Tax rate until final series of Bonds are issued.

Source: Albert A. Webb Associates.

**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 within the Community Facilities District, prepared by Albert A. Webb Associates, and dated March 20, 2017 (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. The Community Facilities District may issue Additional Bonds in accordance with the terms of the Indenture. 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 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 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**  
**DIRECT AND OVERLAPPING DEBT**

<b>I.</b>	<b>ASSESSED VALUE</b> FISCAL YEAR 2016-17 ASSESSED VALUATION <sup>(1)</sup>		\$448,079,865				
<b>II.</b>	<b>LAND SECURED BOND INDEBTEDNESS</b>						
	<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable</i>	<i>Parcels in 07-2</i>	<i>Amount of Debt</i>
	EMWD CFD 2002-05 CROWN VALLEY	CFD	\$ 13,000,000	\$ 9,530,000	42.02%	295	\$ 4,004,685
	EMWD CFD 2014-67 IA B (TR. 30422-3/TR. 36437)	CFD	0	0	100.00	25	0
	PERRIS UNION HS CFD 92-1	CFD	40,000,000	35,150,000	2.19	303	771,330
	<b>RIV CO CFD 07-2 CLINTON KEITH</b>	<b>CFD</b>	<b>33,100,000*</b>	<b>33,100,000<sup>(2)*</sup></b>	<b>100.00</b>	<b>1,287</b>	<b>33,100,000*</b>
	MURRIETA VL USD CFD 2006-1 IA B	CFD	8,170,000	7,780,000	100.00	329	7,780,000
	MURRIETA VL USD CFD 2006-1 IA A	CFD	5,580,000	5,355,000	100.00	257	5,355,000
	MENIFEE USD CFD 2006-1	CFD	6,565,000	6,425,000	19.56	38	1,256,684
	MURRIETA VL USD CFD 2006-1 IA C	CFD	0	0	100.00	18	0
	MENIFEE USD CFD 2014-2	CFD	0	0	100.00	137	0
	MENIFEE USD CFD 2014-1	CFD	4,235,000	4,235,000	100.00	179	4,235,000
	<b>TOTAL OUTSTANDING LAND SECURED BONDED DEBT<sup>(3)</sup></b>						<b>\$ 56,502,699*</b>
	<i>Authorized and Unissued Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in 07-2</i>	<i>Applicable</i>
	EMWD CFD 2002-05 CROWN VALLEY	CFD	\$ 13,000,000	\$ 0	42.02%	295	\$ 0
	EMWD CFD 2014-67 IA B (TR. 30422-3/TR. 36437)	CFD	3,500,000	3,500,000	100.00	25	3,500,000
	PERRIS UNION HS CFD 92-1	CFD	40,000,000	0	2.19	303	0
	RIV CO CFD 07-2 CLINTON KEITH	CFD	60,000,000	26,900,000 <sup>(4)</sup>	100.00	1,287	26,900,000*
	MURRIETA VL USD CFD 2006-1 IA B	CFD	11,000,000	2,830,000	100.00	329	2,830,000
	MURRIETA VL USD CFD 2006-1 IA A	CFD	8,000,000	2,420,000	100.00	257	2,420,000
	MENIFEE USD CFD 2006-1	CFD	16,000,000	9,435,000	19.56	38	1,845,418
	MURRIETA VL USD CFD 2006-1 IA C	CFD	5,000,000	5,000,000	100.00	18	5,000,000
	MENIFEE USD CFD 2014-2	CFD	8,000,000	8,000,000	100.00	137	8,000,000
	MENIFEE USD CFD 2014-1	CFD	6,000,000	1,765,000	100.00	179	1,765,000
	<b>TOTAL UNISSUED LAND SECURED INDEBTEDNESS<sup>(3)</sup></b>						<b>\$ 52,260,418*</b>
	<b>TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS</b>						<b>\$ 108,763,117*</b>
<b>III.</b>	<b>GENERAL OBLIGATION BOND INDEBTEDNESS</b>						
	<i>Outstanding Direct and Overlapping Bonded Debt</i>	<i>Type</i>	<i>Issued</i>	<i>Outstanding</i>	<i>% Applicable<sup>(5)</sup></i>	<i>Parcels in 07-2</i>	<i>Amount of Debt</i>
	MT SAN JACINTO COMMUNITY COLLEGE (0.0132%)	GO	\$ 70,000,000	\$ 63,950,000	0.572852%	1,820	\$ 366,339
	MENIFEE UNION SCHOOL B & I (0.03269%)	GO	45,958,923	44,159,720	5.269041	575	2,326,794
	MURRIETA VALLEY UNIFIED SCHOOL B & I (0.13294%)	GO	236,397,954	153,290,645	3.402335	844	5,215,461
	TEMECULA VALLEY UNIFIED SCHOOL B & I (0.03164%)	GO	137,412,035	82,432,035	2.230146	455	1,838,355
	PERRIS UNION HIGH SCHOOL B & I (0.06092%)	GO	104,802,260	80,413,834	3.196806	575	2,570,674
	METROPOLITAN WATER EAST (0.0035%)	GO	850,000,000	74,905,000	0.017345	1,819	12,992
	<b>TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT<sup>(3)</sup></b>						<b>\$ 12,330,615</b>
	<i>Authorized and Unissued Direct and Overlapping Indebtedness</i>	<i>Type</i>	<i>Authorized</i>	<i>Unissued</i>	<i>% Applicable</i>	<i>Parcels in 07-2</i>	<i>Applicable</i>
	MT SAN JACINTO COMMUNITY COLLEGE (0.0132%)	GO	\$295,000,000	\$ 225,000,000	0.572852%	1,820	\$ 1,288,917
	MENIFEE UNION SCHOOL B & I (0.03269%)	GO	45,960,000	1,078	5.269041	575	57
	MURRIETA VALLEY UNIFIED SCHOOL B & I (0.13294%)	GO	334,400,000	98,002,046	3.402335	844	3,334,358
	TEMECULA VALLEY UNIFIED SCHOOL B & I (0.03164%)	GO	230,000,000	92,587,965	2.230146	455	2,064,847
	PERRIS UNION HIGH SCHOOL B & I (0.06092%)	GO	215,420,000	110,617,740	3.196806	575	3,536,235
	METROPOLITAN WATER EAST (0.0035%)	GO	850,000,000	0	0.017345	1,819	0
	<b>TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS<sup>(3)</sup></b>						<b>\$ 10,224,414</b>
	<b>TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS</b>						<b>\$ 22,555,029</b>
	TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT						<b>\$ 68,833,314*</b>
	TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS						<b>\$ 131,318,146*</b>
<b>IV.</b>	<b>RATIOS TO FISCAL YEAR 2016-2017 ASSESSED VALUATION</b>						
	Outstanding Land Secured Bonded Debt		7.93:1*				
	Total Outstanding Bonded Debt		6.51:1*				

\* Preliminary, subject to change.

(1) Fiscal Year 2016-17 Assessed Valuation data as of January 1, 2016, Riverside County Assessor's Office.

(2) Amount outstanding is equal to the outstanding Series 2015 Bonds and the principal amount of the Series 2017 Bonds.

(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2016-17.

(4) Additional bonds may be issued with respect to the remaining \$26,900,000\* in bond authorization.

(5) Percentage applicable determined by Fiscal Year 2016-17 Equalized Roll Assessed Value information.

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 2017-18, the Assigned Special Tax of Fiscal Year 2017-18 is \$1,278.73 per RDU, and \$969.10 per RDU for Parcels which were classified as Multifamily Property.

The properties that are within other existing community facilities districts, as noted in Table 2 above, will have higher tax rates. Subsequent to the issuance of the Series 2017 Bonds, Additional Bonds may be issued, and 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 3 are aggregate estimated Fiscal Year 2017-18 taxes, assessments and charges on the 1,380 parcels owned by individuals as of April 1, 2017. 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 2017-18 (unless otherwise noted), the average total effective tax rate on homes owned by individuals within the Community Facilities District will be approximately 2.11% and ranges between 1.93% and 2.34% of the assessed values from the Riverside County Assessor’s Office Fiscal Year 2016-17 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 2017-18 TAX OBLIGATION<sup>(1)</sup>**  
**AGGREGATE FOR PARCELS OF DEVELOPED PROPERTY**

Fiscal Year 2016-17 Assessed Value <sup>(2)</sup>	\$ 399,064,608
<b>Ad Valorem Property Taxes <sup>(3)</sup></b>	
Basic Levy (1.00000%)	\$ 3,891,469
Menifee Union School B & I (0.03269%)	30,860
Murrieta Valley Unified School B & I (0.13294%)	259,336
Temecula Valley Unified School B & I (00.03164%)	31,531
Perris Union High School B & I (0.06092%)	57,511
MT San Jacinto Comm (0.01320%)	51,362
Metropolitan Water East (0.00350%)	<u>13,615</u>
<b>Total General Property Taxes</b>	<b>\$ 4,335,684</b>
<b>Assessment, Special Taxes &amp; Parcel Charges<sup>(3)</sup></b>	
L&LMD NO 89-1-C ZONE GRP A	\$ 465
FLD CNTL STORMWATER/CLEANWATER	4,064
L&LMD NO 89-1-C ZONE 172	20,737
CSA #103	60,389
CSA #152	56,953
CFD 92-1 PERRIS UNION HS	69,741
CFD 2006-1 IA B MURRIETA VL USD	667,769
CFD 2006-1 IA A MURRIETA VL USD	485,763
MENIFEE USD 2006-1	85,843
CFD MENIFEE USD 2014-2	43,286
CFD MENIFEE USD 2014-1	203,626
V-WIDE REGIONAL FAC.LMD 88-1	6,061
V-WIDE LMD FRENCH VLY	449,769
CFD FRENCH VALLEY	112,000
MWD STANDBY EAST	5,857
CFD 2002-05 CROWN VLY EMWD	348,918
EMWD STDBY-COMBINED CHARGE	42,580
CFD RIV CO 07-2 CLINTON KEITH <sup>(4)</sup>	<u>1,426,366</u>
<b>Total Assessment Charges</b>	<b>\$ 4,090,187</b>
<b>Total Property Tax</b>	<b>\$ 8,425,871</b>
<b>Average Effective Tax Rate</b>	<b>2.11%</b>

- <sup>(1)</sup> Estimated Fiscal Year 2017-18 effective tax obligation based upon Fiscal Year 2016-17 overlapping taxes and assessments.
- <sup>(2)</sup> Reflects aggregate Fiscal Year 2016-17 assessed value for developed parcels with an improvement assessed value, per Riverside County Equalized Roll data.
- <sup>(3)</sup> Reflects actual aggregate amounts applied for Fiscal Year 2016-17 for Developed Property parcels with Fiscal Year 2016-17 improvement assessed value, per Riverside County Equalized Roll data. All parcels of Developed Property may not be subject to all listed overlapping ad valorem, assessment, special tax and parcel charges listed.
- <sup>(4)</sup> Reflects the Community Facilities District's aggregate projected Fiscal Year 2017-18 Special Tax Levy, for parcels of Developed Property with Fiscal Year 2016-17 improvement assessed value.

Source: Albert A. Webb Associates, based on Fiscal Year 2016-17 assessed home value information provided by the County.

## 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 April 1, 2017, and the Fiscal Year 2016-17 assessed values. The Fiscal Year 2016-17 assessed value of the taxable parcels within the Community Facilities District is \$448,079,865, of which, the assessed value from property classified as Developed Property for Fiscal Year 2016-17 is \$416,692,151. The estimated assessed value-to-lien ratio of the Developed Property, Approved Property, and Undeveloped Property within the Community Facilities District based upon the assessed values included on the Fiscal Year 2016-17 Assessor's roll and the allocated principal amount of the Series 2015 Bonds, the Series 2017 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the Community Facilities District (but excluding other overlapping general obligation debt within the Community Facilities District) is approximately 7.93\*-to-1. The estimated assessed value-to-lien ratio of the Developed Property, Approved Property, and Undeveloped Property within the Community Facilities District based upon the Fiscal Year 2016-17 assessed values and the allocated principal amount of the Series 2015 Bonds, the Series 2017 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the Community Facilities District (and including other overlapping general obligation debt within the Community Facilities District) is approximately 6.51\*-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 2017 Bonds are outstanding. The Community Facilities District may issue Additional Bonds subject to the terms of the Indenture and 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.

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\* Preliminary, subject to change.

**TABLE 4  
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
OF THE COUNTY OF RIVERSIDE  
ASSESSED VALUE-TO-LIEN BY PROPERTY OWNER AND DEVELOPMENT STATUS**

<i>Property Owner</i>	<i>Parcels</i>	<i>Projected Fiscal Year 2017-18 Special Tax Levy<sup>(1)</sup></i>	<i>Percent of Projected Fiscal Year 2017-18 Special Tax Levy</i>	<i>Fiscal Year 2017-18 Maximum Special Tax</i>	<i>Percent of Total Maximum Special Tax</i>	<i>Fiscal Year 2016-17 Assessed Value</i>	<i>Percent of Fiscal Year 2016-17 Assessed Value</i>	<i>Allocation of CFD 07-2 Series 2015 Bonds Debt</i>	<i>Allocation of CFD 07-2 Series 2017 Bonds Proposed Debt<sup>*</sup></i>	<i>Other Overlapping Land Secured Debt<sup>(2)</sup></i>	<i>Total Direct and Overlapping Land Secured Debt<sup>*</sup></i>	<i>Aggregate Value-to-Lien<sup>(3)*</sup></i>
<b>Developed Property:</b>												
Individual Owner	1,380	\$ 1,726,867	83.60%	\$ 1,729,824	35.17%	\$ 403,220,169	89.99%	\$ 21,041,113	\$ 6,629,163	\$ 23,212,631	\$ 50,882,906	7.92:1
Brookfield	42	53,706	2.60	55,249	1.12	1,509,940	0.34	654,390	206,170	0	860,560	1.75:1
KB Homes	121	154,726	7.49	154,726	3.15	5,862,455	1.31	1,885,265	593,967	190,068	2,669,301	2.20:1
Lennar Homes	50	63,936	3.10	63,936	1.30	1,248,282	0.28	779,035	245,441	0	1,024,476	1.22:1
Richmond American	28	35,804	1.73	39,405	0.80	2,545,457	0.57	436,260	137,447	0	573,707	4.44:1
Woodside	24	30,689	1.49	33,775	0.69	2,305,848	0.51	373,937	117,812	0	491,749	4.69:1
<b>Subtotal Developed Property</b>	<b>1,645</b>	<b>\$ 2,065,729</b>	<b>100.00%</b>	<b>\$ 2,076,916</b>	<b>42.23%</b>	<b>\$ 416,692,151</b>	<b>93.00%</b>	<b>\$25,170,000</b>	<b>\$ 7,930,000</b>	<b>\$ 23,402,699</b>	<b>\$ 56,502,699</b>	<b>7.37:1</b>
<b>Approved Property:</b>												
Brookfield	9	\$ 0	0.00%	\$ 12,023	0.24%	\$ 437,650	0.10%	\$ 0	\$ 0	\$ 0	\$ 0	N/A
KB Homes	40	0	0.00	51,149	1.04	854,000	0.19	0	0	0	0	N/A
Lennar Homes	11	0	0.00	14,066	0.29	274,725	0.06	0	0	0	0	N/A
Richmond American	24	0	0.00	33,775	0.69	2,181,816	0.49	0	0	0	0	N/A
Woodside	64	0	0.00	90,068	1.83	6,148,934	1.37	0	0	0	0	N/A
<b>Subtotal Approved Property</b>	<b>148</b>	<b>\$ 0</b>	<b>0.00%</b>	<b>\$ 201,081</b>	<b>4.09%</b>	<b>\$ 9,897,125</b>	<b>2.21%</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>
<b>Undeveloped Property:</b>												
Lowes	2	\$ 0	0.00%	\$ 4,175	0.08%	\$ 124,340	0.03%	\$ 0	\$ 0	\$ 0	\$ 0	N/A
Pardee Homes	3	0	0.00	234,426	4.77	1,976,442	0.44	0	0	0	0	N/A
Rancon	3	0	0.00	267,985	5.45	1,673,475	0.37	0	0	0	0	N/A
Riverside Mitland	14	0	0.00	2,095,546	42.61	16,675,652	3.72	0	0	0	0	N/A
SABA SABA	2	0	0.00	4,978	0.10	55,466	0.01	0	0	0	0	N/A
Scott Murrieta Service Station	3	0	0.00	33,077	0.67	985,214	0.22	0	0	0	0	N/A
<b>Subtotal Undeveloped Property</b>	<b>27</b>	<b>\$ 0</b>	<b>0.00%</b>	<b>\$ 2,640,186</b>	<b>53.68%</b>	<b>\$ 21,490,589</b>	<b>4.80%</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>N/A</b>
<b>TOTAL</b>	<b>1,820</b>	<b>\$ 2,065,729</b>	<b>100.00%</b>	<b>\$ 4,918,183</b>	<b>100.00%</b>	<b>\$ 448,079,865</b>	<b>100.00%</b>	<b>\$ 25,170,000</b>	<b>\$ 7,930,000</b>	<b>\$ 23,402,699</b>	<b>\$ 56,502,699</b>	<b>7.93:1</b>

\* Preliminary, subject to change.

(1) Based upon preliminary Series 2017 Bonds sizing and estimated Fiscal Year 2017-18 priority administration in the amount of \$72,828, plus surplus for facilities. Developed Property to be levied at Assigned Special Tax Rate until final series of Bonds are issued.

(2) Includes Eastern Municipal Water District CFD 2002-05, Perris Union High School CFD 92-1, Murrieta Valley Unified School District CFD 2006-1 Improvement Areas A and B, Menifee Union School District CFDs 2006-1 and 2014-1.

(3) Assessed Value-to-Lien based upon estimated par amount for the Series 2017 Bonds, outstanding debt for Series 2015 Bonds, and Other Overlapping Land Secured Debt.

Source: Albert A. Webb Associates.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)**  
**OF THE COUNTY OF RIVERSIDE**  
**VALUE-TO-LIEN STRATIFICATION FOR DEVELOPED PROPERTY**  
**(Continued on Next Page)**

<i>Assessed Value-to-Lien<sup>(1)</sup></i>	<i>No. of Parcels</i>	<i>Percent of Total Parcels</i>	<i>Projected Fiscal Year 2017-18 Special Tax<sup>(6)</sup></i>	<i>Percent of Projected Fiscal Year 2017-18 Levy</i>	<i>Fiscal Year 2017-18 Maximum Special Tax</i>	<i>Percent of Total Maximum Special Tax</i>	<i>Fiscal Year 2016-17 Assessed Value</i>	<i>Percent of Fiscal Year 2016-17 Assessed Value</i>
Less than 1.00:1 <sup>(2)</sup>	105	6.38%	\$ 134,266	6.50%	\$ 134,266	6.46%	\$ 1,860,001	0.45%
1.00:1 to 2.99:1 <sup>(3)</sup>	308	18.72	393,847	19.07	393,847	18.96	7,769,929	1.86
3.00:1 to 4.99:1 <sup>(4)</sup>	95	5.78	121,169	5.87	132,356	6.37	9,070,084	2.18
5.00:1 to 6.99:1	91	5.53	116,364	5.63	116,364	5.60	26,496,317	6.36
7.00:1 to 8.99:1	625	37.99	796,107	38.54	796,107	38.33	221,324,671	53.11
9.00:1 to 10.99:1	300	18.24	360,086	17.43	360,086	17.34	105,751,055	25.38
Greater than 10.99:1 <sup>(5)</sup>	<u>121</u>	<u>7.36</u>	<u>143,889</u>	<u>6.97</u>	<u>143,889</u>	<u>6.93</u>	<u>44,420,094</u>	<u>10.66</u>
<b>Total</b>	1,645	100.00%	\$ 2,065,729	100.00%	\$ 2,076,916	100.00%	\$ 416,692,151	100.00%

<sup>(1)</sup> Assessed Value-to-Lien based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds, and other overlapping land secured debt. Other overlapping land secured debt includes Eastern Municipal Water District CFD 2002-05, Perris Union High School CFD 92-1, Murrieta Valley Unified School District CFD 2006-1 Improvement Areas A and B, Menifee Union School District CFDs 2006-1 and 2014-1.

<sup>(2)</sup> Minimum estimated Value-to-Lien is 0.31:1. All parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned improvement assessed value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between June 8, 2015 and February 9, 2017.

<sup>(3)</sup> 305 parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned Improvement Assessed Value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between October 17, 2011 and March 16, 2017.

<sup>(4)</sup> 90 parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned Improvement Assessed Value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between April 25, 2013 and March 22, 2017.

<sup>(5)</sup> Highest estimated Value-to-Lien is 24.65:1.

<sup>(6)</sup> Based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds, and estimated Fiscal Year 2017-18 priority administration in the amount of \$72,828, plus anticipated surplus Special Taxes to be levied for Facilities. The Community Facilities District anticipates levying Developed Property at the Assigned Special Tax Rate until the final series of Bonds are issued.

Source: Albert A. Webb Associates.

**TABLE 5**  
**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)**  
**OF THE COUNTY OF RIVERSIDE**  
**VALUE-TO-LIEN STRATIFICATION FOR DEVELOPED PROPERTY**  
**(Continued from Preceding Page)**

<i>Assessed Value-to-Lien<sup>(1)</sup></i>	<i>Allocation of Series 2015 Bonds</i>	<i>Allocation of Series 2017 Bonds*</i>	<i>Other Overlapping Land Secured Debt*</i>	<i>Total Direct and Overlapping Land Secured Debt*</i>	<i>Aggregate Value-to-Lien*</i>
Less than 1.00:1 <sup>(2)</sup>	\$ 1,635,974	\$ 515,426	\$ 453,640	\$ 2,605,040	0.71:1
1.00:1 to 2.99:1 <sup>(3)</sup>	4,798,858	1,511,917	70,342	6,381,117	1.22:1
3.00:1 to 4.99:1 <sup>(4)</sup>	1,476,394	465,149	67,272	2,008,815	4.52:1
5.00:1 to 6.99:1	1,417,844	446,703	2,173,042	4,037,589	6.56:1
7.00:1 to 8.99:1	9,700,215	3,056,127	14,593,343	27,349,684	8.09:1
9.00:1 to 10.99:1	4,387,491	1,382,313	5,134,896	10,904,700	9.70:1
Greater than 10.99:1 <sup>(5)</sup>	<u>1,753,223</u>	<u>552,366</u>	<u>910,164</u>	<u>3,215,753</u>	<u>13.81:1</u>
<b>Total</b>	<b>\$ 25,170,000</b>	<b>\$ 7,930,000</b>	<b>\$ 23,402,699</b>	<b>\$ 56,502,699</b>	<b>7.37:1</b>

<sup>(1)</sup> Assessed Value-to-Lien based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds, and other overlapping land secured special tax and assessment debt. Other overlapping land secured debt includes Eastern Municipal Water District CFD 2002-05, Perris Union High School CFD 92-1, Murrieta Valley Unified School District CFD 2006-1 Improvement Areas A and B, Menifee Union School District CFDs 2006-1 and 2014-1.

<sup>(2)</sup> Minimum estimated Value-to-Lien is 0.31:1. All parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned improvement assessed value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between June 8, 2015 and February 9, 2017.

<sup>(3)</sup> 305 parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned Improvement Assessed Value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between October 17, 2011 and March 16, 2017.

<sup>(4)</sup> 90 parcels in this category were issued a building permit as of April 1, 2017 and classified as Developed Property for Fiscal Year 2017-18, but were not assigned Improvement Assessed Value for Fiscal Year 2016-17, per the Riverside County Assessor. Building permits for this range were obtained between April 25, 2013 and March 22, 2017.

<sup>(5)</sup> Highest estimated Value-to-Lien is 24.65:1.

<sup>(6)</sup> Based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds, and estimated Fiscal Year 2017-18 priority administration in the amount of \$72,828, plus anticipated surplus Special Taxes to be levied for Facilities. The Community Facilities District anticipates levying Developed Property at the Assigned Special Tax Rate until the final series of Bonds are issued.

Source: Albert A. Webb Associates.

\* Preliminary, subject to change.

Table 6 sets forth the assessed value history within the Community Facilities District for Fiscal Years 2007-08 through 2016-17.

**TABLE 6  
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
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<sup>(1)</sup></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	1,479	108,980,954	272,551,551	381,532,505	19.95
2016-17	1,820	130,002,230	318,077,635	448,079,865	17.44

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

Source: Albert A. Webb Associates using value information provided by the Riverside County Assessor.

**Largest Taxpayers**

For the projected Fiscal Year 2017-18 Special Tax levy, only one property owner within the Community Facilities District is projected to be responsible for more than 3.10% of the Fiscal Year 2017-18 Special Tax levy. As of April 1, 2017, KB Homes owned 121 parcels of Developed Property on approximately 22.2 acres, and 40 parcels of Approved Property on approximately 7.75 acres. Based on ownership and development status as of April 1, 2017, KB Homes is projected to be responsible for approximately 7.49% of the projected Fiscal Year 2017-18 Special Tax. KB Homes was delinquent in the payment of Special Taxes for five parcels for the first installment of the Fiscal Year 2015-16 Special Tax levy which became delinquent after December 10, 2015. Such delinquent Special Taxes were paid in full in March 2016, approximately three months after such Special Taxes became due. 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 FOR TOP TEN TAXPAYERS**

<i>Property Owner</i>	<i>Parcels<sup>(1)</sup></i>	<i>Projected Fiscal Year 2017-18 Special Tax Levy<sup>(2)</sup></i>	<i>Percent of Projected Fiscal Year 2017-18 Special Tax Levy</i>	<i>Fiscal Year 2017-18 Maximum Special Tax</i>	<i>Percent of Total Maximum Special Tax</i>	<i>Fiscal Year 2016-17 Assessed Value</i>	<i>Percent of 2016-17 Assessed Value</i>	<i>Allocation of Series 2015 Debt</i>	<i>Allocation of Series 2017 Bonds*</i>	<i>Other Overlapping Land Secured Debt<sup>(3)</sup></i>	<i>Total Direct and Overlapping Land Secured Debt</i>	<i>Aggregate Value-to-Lien<sup>(4)*</sup></i>
KB Homes	121	\$ 154,726	7.49%	\$ 154,726	7.45%	\$ 5,862,455	1.41%	\$ 1,885,265	\$ 593,967	\$ 190,068	\$ 2,669,301	2.20:1
Lennar Homes	50	63,936	3.10	63,936	3.08	1,248,282	0.30	779,035	245,441	0	1,024,476	1.22:1
Brookfield	42	53,706	2.60	55,249	2.66	1,509,940	0.36	654,390	206,170	0	860,560	1.75:1
Richmond American	28	35,804	1.73	39,405	1.90	2,545,457	0.61	436,260	137,447	0	573,707	4.44:1
Woodside	24	30,689	1.49	33,775	1.63	2,305,848	0.55	373,937	117,812	0	491,749	4.69:1
Individual Owner	2	2,557	0.12	2,557	0.12	758,806	0.18	31,161	9,818	52,431	93,410	8.12:1
Individual Owner	2	2,557	0.12	2,557	0.12	464,353	0.11	31,161	9,818	41,435	82,414	5.63:1
Individual Owner	1	1,279	0.06	1,279	0.06	517,764	0.12	15,581	4,909	21,850	42,340	12.23:1
Individual Owner	1	1,279	0.06	1,279	0.06	508,142	0.12	15,581	4,909	29,983	50,473	10.07:1
Individual Owner	1	1,279	0.06	1,279	0.06	505,000	0.12	15,581	4,909	0	20,490	24.65:1
All Others	<u>1,373</u>	<u>1,717,915</u>	<u>83.16</u>	<u>\$1,720,873</u>	<u>82.86%</u>	<u>\$ 400,466,104</u>	<u>96.11%</u>	<u>\$20,932,048</u>	<u>\$6,594,801</u>	<u>23,066,931</u>	<u>\$ 50,593,780</u>	<u>7.92:1</u>
<b>Totals</b>	1,645	\$ 2,065,729	100.00%	\$2,076,916	100.00%	\$ 416,692,151	100.00%	\$25,170,000	\$7,930,000	\$ 23,402,699	\$ 56,502,699	7.37:1

\* Preliminary, subject to change.

(1) Does not include Approved Property or Undeveloped Property parcels as Special Taxes are not anticipated to be levied on Approved Property or Undeveloped Property for Fiscal Year 2017-18.

(2) Based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds and estimated Fiscal Year 2017-18 priority administration in the amount of \$72,828, plus surplus for Special Taxes anticipated to be levied for Facilities. The Community Facilities District anticipates levying Special Taxes on Developed Property at Assigned Special Tax rate until the final series of Bonds are issued.

(3) Includes Eastern Municipal Water District CFD 2002-05, Perris Union High School CFD 92-1, Murrieta Valley Unified School District CFD 2006-1 Improvement Areas A and B, Menifee Union School District CFDs 2006-1 and 2014-1.

(4) Assessed Value-to-Lien based upon the principal amount of the Series 2015 Bonds, the estimated principal amount of the Series 2017 Bonds, and other overlapping land secured debt within the Community Facilities District.

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 2016-17. The highest fiscal year end delinquency rate in any of these years was 6.60% for Fiscal Year 2008-09.



**TABLE 8**  
**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)**  
**OF THE COUNTY OF RIVERSIDE**  
**SPECIAL TAX LEVIES, DELINQUENCIES AND DELINQUENCY RATES**  
**FISCAL YEARS 2007-08 THROUGH FIRST INSTALLMENT 2016-17**

<i>Fiscal Year</i>	<i>Amount Levied</i>	<i>Parcels Levied</i>	<i>Delinquencies as of June 30 of Fiscal Year</i>			<i>Delinquencies as of March 15, 2017</i>		
			<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>	<i>Parcels Delinquent</i>	<i>Amount Delinquent</i>	<i>Percent Delinquent</i>
2007-08	\$ 30,421.00	29	1	\$1,049.00	3.45%	0	\$ 0.00	0.00%
2008-09	113,417.88	106	7	7,489.86	6.60	0	0.00	0.00
2009-10	161,524.24	148	1	545.69	0.34	0	0.00	0.00
2010-11	222,640.00	200	2	1,669.80	0.75	0	0.00	0.00
2011-12	345,179.84	304	6	6,245.03	1.81	0	0.00	0.00
2012-13	546,770.22	475	3	2,895.45	0.53	1	1,158.18	0.21
2013-14	907,428.26	780	6	5,906.70	0.65	1	590.67	0.07
2014-15	1,059,600.16	906	5	4,528.08	0.43	1	1,204.96	0.11
2015-16	1,299,254.02	1,422	7	5,698.90	0.44	4	3,389.58	0.26
2016-17 <sup>(1)</sup>	788,200.18	1,287 <sup>(2)</sup>	N/A	N/A	N/A	16	9,877.34	1.25

<sup>(1)</sup> Includes Fiscal Year 2016-17 December 10, 2016 Installment information only.

<sup>(2)</sup> The parcel count decreased between Fiscal Year 2015-16 and 2016-17 as Special Taxes were not levied on Approved Property or Undeveloped Property, only Developed Property, in Fiscal Year 2016-17.

Source: Riverside County Tax Collector.

## **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 2017 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 2017 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 2017 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 2017 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, 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 and ownership status as of April 1, 2017, KB Homes is projected to be responsible for approximately 7.49% of the projected Fiscal Year 2017-18 Special Tax levy. No other property owner is projected to be responsible for more than 3.10% of the projected Fiscal Year 2017-18 Special Tax levy.

KB Homes owns 121 Developed parcels and 40 Approved parcels, for a total of 161 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 could 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 2017 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 in part 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 2017 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 2017 Bonds have been issued.

### **The Series 2017 Bonds Are Special Obligations of the Community Facilities District**

The Series 2017 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 on a parity with the Series 2015 Bonds and any future Additional Bonds 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 2017 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 2017 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 2017 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 Table 2 and Tables 4 through 7 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 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 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 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 2017 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 2017 Bonds issue Additional Bonds in an aggregate amount not to exceed \$60,000,000 (including the Series 2015 Bonds and the Series 2017 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, the Outstanding Series 2017 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, the Series 2017 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 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 Table 2 and Tables 4 through 7. If Additional Bonds are issued, the owners of the Series 2017 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 Series 2015 Bonds and any 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 2017 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 2017 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.

### **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 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 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 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 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 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 2017 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 Fund is depleted. See “SECURITY AND SOURCES OF PAYMENT FOR THE 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 2017 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 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 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 Community Facilities District covenants in the Indenture to maintain the Reserve Fund in an amount equal to the Reserve Requirement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund.” Funds in the Reserve Fund may be used to pay principal of and interest on the 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 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 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 Bonds which are Outstanding at the time.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Beneficial Owners of the 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 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 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 2017 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 2017 Bonds with a priority interest in such amounts. In that circumstance, unless the Beneficial Owners of the Series 2017 Bonds could “trace” the funds that have been deposited in the County investment pool, the Beneficial Owners of the Series 2017 Bonds would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Beneficial Owners of the Series 2017 Bonds could successfully so trace the Special Taxes or debt service payments.

### **No Acceleration Provision**

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture or in the event interest on the 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 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 2017 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 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 exempts 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 2017 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.

***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 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 2017 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 Taxes in order to obtain funds to pay debt service on the Series 2017 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 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 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 XIII C and Article XIII D 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 Bonds as described below.

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

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

It may be possible, however, for voters or the 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 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the 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 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 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 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 18, 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 2017 Bonds or, if a secondary market exists, that the Series 2017 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 2017 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 2017 Bonds**

The interest on the Series 2017 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 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. See “LEGAL MATTERS — Tax Matters.” In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2017 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 2017 Bonds under Section 103 of the Internal Revenue Code of 1986. Should such an event of taxability occur, the Series 2017 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 2017 BONDS — Redemption.”

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2017 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 2017 Bonds. Prospective purchasers of the Series 2017 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 2017 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 2017 Bonds or the market value of the Series 2017 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 2017 Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Series 2017 Bonds. No assurance can be given that subsequent to the issuance of the Series 2017 Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Series 2017 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 2017 Bonds.

### **Limitations on Remedies**

Remedies available to the Beneficial Owners of the Series 2017 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 2017 Bonds or to preserve the tax-exempt status of the Series 2017 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Series 2017 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 2017 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 2017 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, 2018, 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 2017 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.

***Prior Community Facilities District Undertaking.*** The Community Facilities District has entered into a prior continuing disclosure obligation under Rule 15c2-12(b)(5) (the “Rule”). 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 Board of Supervisors is the legislative body of the Community Facilities District and the County’s other community facilities districts and the Community Facilities District has no employees or staff independent of the County.

***Compliance by the County and certain Related Entities with Continuing Disclosure Undertakings.*** During the last five years, the County and certain of its related entities have failed to comply in certain respects with continuing disclosure obligations related to outstanding indebtedness. The 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; (ii) missing, incomplete or late filing of annual or quarterly reports with respect to a number of the bond issues. In almost every case with respect to obligations related to the 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; and (iii) in all of the cases where a notice of failure to file was required to be filed, no notice of failure to file such information was provided. The County and its related entities have reviewed their previous filings and have made corrective filings, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County’s General Fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted new procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports. The County continues to review its procedures to ensure continued compliance with the Rule.

## LEGAL MATTERS

### Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District (“Bond Counsel”), 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 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2017 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2017 Bonds is less than the amount to be paid at maturity of such Series 2017 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2017 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2017 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2017 Bonds is the first price at which a substantial amount of such maturity of the Series 2017 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2017 Bonds accrues daily over the term to maturity of such Series 2017 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2017 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2017 Bonds. Beneficial owners of the Series 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2017 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2017 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2017 Bonds is sold to the public.

Series 2017 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017 Bonds. The Community Facilities District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2017 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series

2017 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2017 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, presidential budget proposals in previous years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2017 Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Community Facilities District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Community Facilities District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2017 Bonds ends with the issuance of the Series 2017 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Community Facilities District or the Beneficial Owners regarding the tax-exempt status of the Series 2017 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Community Facilities District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Community Facilities District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017 Bonds, and may cause the Community Facilities District or the beneficial owners to incur significant expense.

## **Litigation**

No litigation is pending or threatened concerning the validity of the Series 2017 Bonds, the pledge of Special Taxes to repay the Series 2017 Bonds, the powers or authority of the Community Facilities District with respect to the Series 2017 Bonds, or seeking to restrain or enjoin development of the land within the Community Facilities District and a certificate of the Community Facilities District to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2017 Bonds.

## **Legal Opinion**

The validity of the Series 2017 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County and the Community Facilities District by the County Counsel, and for the Community Facilities District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation expresses no opinion to the Bondowners as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Series 2017 Bonds and expressly disclaims any duty to advise the Beneficial Owners of the Series 2017 Bonds as to matters related to this Official Statement.

## **No Rating**

The Community Facilities District has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Series 2017 Bonds.

## **Underwriting**

The Series 2017 Bonds are being purchased by Piper Jaffray & Co., the Underwriter. The Underwriter has agreed to purchase the Series 2017 Bonds at a price of \$\_\_\_\_\_, being \$\_\_\_\_\_ aggregate principal amount thereof, less Underwriter's discount of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_). The purchase agreement relating to the Series 2017 Bonds provides that the Underwriter will purchase all of the Series 2017 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Series 2017 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

## **Municipal Advisor**

The Community Facilities District has retained Fieldman Rolapp & Associates, Irvine, California, as Municipal Advisor (the "Municipal Advisor") in connection with the issuance of the Series 2017 Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The Municipal Advisor is an independent registered municipal financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## **Financial Interests**

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Municipal Advisor, and counsel to the Underwriter, are contingent upon the issuance and delivery of the Series 2017 Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Series 2017 Bonds.

**Pending Legislation**

The Community Facilities District is not aware of any significant pending legislation which would have material adverse consequences on the Series 2017 Bonds or the ability of the Community Facilities District to pay the principal of and interest on the Series 2017 Bonds when due.

**Additional Information**

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2017 Bonds. Quotations and summaries and explanations of the Series 2017 Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

The execution and delivery of this Official Statement by an authorized representative of the Community Facilities District has been duly authorized by the Board of Supervisors of the County acting in its capacity as the legislative body of the Community Facilities District.

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

By: \_\_\_\_\_  
County Executive Officer

## 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

A Special Tax (all capitalized terms are defined in Section A. Definitions below), shall be levied on each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 07-2 (Clinton Keith) of the County. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2007-2008, on a Parcel shall be determined by the Legislative Body, by applying the appropriate Special Tax for each category of Taxable Property. All real property within the CFD shall be taxed for the purposes, to the extent and in the manner herein provided.

#### A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“**Acre or Acreage**” means the acreage of a Parcel as stated on the most recent Assessor’s Parcel Map, or if the acreage is not shown on such Assessor’s Parcel Map, the acreage as determined from the applicable Final Map, or similar instrument.

“**Act**” means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the California Government Code.

“**Administrative Expenses**” means all actual or reasonably estimated costs and expenses of the CFD as determined by the Administrator to be chargeable or allocable to the CFD and that are allowed by the Act and the Indenture, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, initiating and prosecuting a foreclosure action on a Parcel, trustee/fiscal agent expenses and fees, rebate compliance calculation fees, initiating or defending any litigation involving the CFD, continuing disclosure undertakings of the CFD and/or the County, all communications with bondholders, property owners, or other interested persons and the costs of County staff, consultants, and legal counsel incurred on behalf of the CFD in performing such administrative responsibilities.

“**Administrator**” means the County Executive Officer of the County, or his or her designee.

“**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.

“**Assessor’s Parcel Map**” means an official map of the Assessor of the County designating Parcels by Assessor Parcel Number.

“**Assessor’s Parcel Number**” means the number assigned by the Assessor of the County for a Parcel on an Assessor’s Parcel Map.

“**Assigned Special Tax**” means the Special Tax determined in accordance with Section C., below.

“**Assumed Administrative Expenses**” means (a) for Fiscal Year 2007-2008, \$70,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Assumed Administrative Expenses

on each July 1, from and including July 1, 2008 to and including the June 30 in such Fiscal Year, by 2.00% of the amount in effect for the previous Fiscal Year.

“**Backup Special Tax**” means the Special Tax determined in accordance with Section C, below.

“**Bonds**” means any bonds or other debt (as defined in the Act) issued by the CFD and secured by the levy of Special Taxes.

“**Building Permit**” means a building permit issued by the County (or another public agency in the event the County no longer issues such permits) for new construction.

“**CFD**” means Community Facilities District No. 07-2 (Clinton Keith) of the County established pursuant to the Act and identified by the Boundary Map attached as Exhibit A.

“**County**” means the County of Riverside.

“**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.

“**Exempt Property**” means, for each Fiscal Year, any Parcel which is exempt from the Special Taxes pursuant to Section E., below.

“**Final Map**” means a recorded final map, parcel map, or lot line adjustment, by which a subdivision of property has been made pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or a recorded condominium plan approved pursuant to California Civil Code Section 1352 that creates parcel(s), lot(s) or unit(s) for which Building Permits may be issued without further subdivision, as determined by the Administrator.

“**Fiscal Year**” means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2007.

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

“**Land Use Category**” means any of the following land use categories: Single Family Property, Multifamily Property, Non-Residential Property, Undeveloped Property, Public Property and Property Owners’ Association Property.

“**Legislative Body**” means the Board of Supervisors of the County acting *ex officio* as the Legislative Body of the CFD.

“**Maximum Special Tax**” means, with respect to a Land Use Category, for each Fiscal Year, the maximum Special Tax which can be levied in such Fiscal Year on any Parcel, determined in accordance with Section C., below.

“**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.



**“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.

**“Non-Residential Floor Area”** means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for non-residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Non-Residential Floor Area shall be made by the Administrator with reference to the Building Permit(s) issued for said Parcel, or if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

**“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.

**“Outstanding Bonds”** means all Bonds deemed to be outstanding under the Indenture.

**“Parcel”** means, for each Fiscal Year, an individual legal lot within the boundary of the CFD as shown on an Assessor’s Parcel Map to which an Assessor’s Parcel Number has been assigned.

**“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.

**“Proportionately”** means for: (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned or Backup Special Tax, as applicable, is the same for all Parcels of Developed Property, (ii) Approved Property that the ratio of the actual Special Tax levy to the Maximum Special Tax, is the same for all Parcels of Approved Property, (iii) Undeveloped Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Undeveloped Property, and (iv) Public Property and/or Property Owners’ Association Property, that is not Exempt Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Public Property and/or Property Owners’ Association Property, that is not Exempt Property.

**“Public Property”** means, for each Fiscal Year, any Parcel within the boundary of the CFD 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.

**“RDU”** means Residential Dwelling Unit.

**“Residential Dwelling Unit”** means, for each Fiscal Year, a building or portion thereof on a Parcel intended for use by one (1) family and containing but one (1) kitchen, which is designed primarily for

residential occupancy including single family and multifamily dwellings. Residential Dwelling Unit shall not include hotels or motels.

**“Residential Floor Area”** means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building but generally open on at least two sides. The determination of the amount of Residential Floor Area shall be made by the Administrator with reference to the Building Permit(s) issued for said Parcel or, if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

**“Residential Property”** means, for each Fiscal Year, all Parcels of Developed Property and/or Approved Property for which a Building Permit can or has been issued for a Residential Dwelling Unit, as determined by the Administrator.

**“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.

**“Special Tax”** means the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property.

**“Special Tax Requirement”** means, for each Fiscal Year, that 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 CFD, 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.

**“Taxable Property”** means, for each Fiscal Year, all Parcels in the CFD which are not Exempt Property.

**“Total Floor Area”** means for any Parcel of Multiple Land Use Property the sum of the Residential Floor Area and Non-Residential Floor Area.

**“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 Section E

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year in which the Special Tax is levied, all Parcels 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 this Amended and Restated Rate and Method of Apportionment as determined pursuant to Sections C., D., and E., below. Developed Property and Approved Property shall further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall further be classified as Single Family Property or Multifamily Property.

**C. SPECIAL TAX RATE**

**1. Developed Property**

**a. Maximum Special Tax**

The Maximum Special Tax for each Parcel of Developed Property that is Single Family or Multifamily Property shall be the greater of: (i) the applicable Assigned Special Tax determined pursuant to Section C.1.b, below, or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Developed Property that is Non-Residential Property shall be the Assigned Special Tax determined pursuant to Section C.1.b, below.

**b. Assigned Special Tax**

For Fiscal Year 2007-2008, the Assigned Special Tax for each Parcel of Developed Property, except Multiple Land Use Property, shall be as described in Table 1 below:

**TABLE 1**  
**Developed Property**  
**Assigned Special Taxes**  
**For Fiscal Year 2007-2008**

Land Use Category	Taxable Parcel/Acre	Assigned Special Tax Per Parcel
1 – Single Family Property	RDU	\$ 1,049 per RDU
2. – Multifamily Property	RDU	\$ 795 per RDU
3 – Non – Residential Property	Acre	\$ 6,586 per Acre

**For each Fiscal Year following Fiscal Year 2007-2008, the Assigned Special Tax shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.**

**c. 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 below for the corresponding Final Map, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property that is Developed Property shall be the Assigned Special Tax for such Parcel at the time such Taxable Property becomes Developed Property.

(ii) If the number of RDUs of Single Family Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 below 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 below multiplied by the Assigned Special Tax for Single Family Property shown in Table 1, as increased in accordance with Section C.1.b., divided by (y) the number of RDUs of Single Family Property within such Final Map.

(iii) If the number of RDU 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 below 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 below multiplied by the Assigned Special Tax for Multifamily Property shown in Table 1 as increased in accordance with Section C.1.b., 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.

**TABLE 2**  
Proposed Residential Dwelling  
Units Per Tract

Final Map	Single Family RDU	Multifamily RDU
33170	140	0
32151	0	180
33307	41	0
30433	502	0
30694	81	0
30695	48	0
30695-1	59	0
30696-1	71	0
30696-F	38	0
30696-4	88	0
30696-2	69	0
Final Map	Single Family RDU	Multifamily RDU
30696-3	172	0
32289	197	0
32290-1	135	0
32290-2	166	0
32290-3	138	0
32290-4	267	0
32290-F	102	0
35328	38	0
28695	140	0
30430	117	0
32011	33	0
34324	0	122

**For each Fiscal Year following Fiscal Year 2007-2008, the Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.**

**d. Multiple Land Use Property**

In some instances a Parcel of Developed 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.

**2. Approved Property**

**a. Maximum Special Tax**

The Maximum Special Tax for each Parcel of Approved Property that is Single Family or Multifamily Property shall be the greater of: (i) the applicable Assigned Special Tax set forth in Table 3, or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Approved Property that is Non-Residential Property shall be the Assigned Special Tax set forth in Table 3, below.

**b. Assigned Special Tax**

For Fiscal Year 2007-2008, the Assigned Special Tax for each Parcel of Approved Property, except Multiple Land Use Property, shall be described in Table 3 below:

**TABLE 3**  
Approved Property  
Assigned Special Taxes  
For Fiscal Year 2007-2008

Land Use Category	Taxable Parcel/Acre	Assigned Special Tax Per Parcel
1 – Single Family Property	RDU	\$ 1,049 per RDU
2. – Multifamily Property	RDU	\$ 795 per RDU
3 – Non – Residential Property	Acre	\$ 6,586 per Acre

**For each Fiscal Year following Fiscal Year 2007-2008, the Assigned Special Tax shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.**

**c. 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 above for the corresponding Final Map, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property that is Approved Property shall be the Assigned Special Tax for such Parcel at the time such Taxable Property becomes 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 above 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 above multiplied by the Assigned Special Tax for Single Family Property shown in Table 3, as increased in accordance with Section C.2.b., 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 above 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 above multiplied by the Assigned Special Tax for Multifamily Property shown in Table 3 as increased in accordance with Section C.2.b., 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.

**For each Fiscal Year following Fiscal Year 2007-2008, the Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.**

**d. Multiple Land Use Property**

In some instances a Parcel of 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.

**3. Undeveloped Property, Property Owners' Association Property and Public Property.**

The Maximum Special Tax for each Parcel of Undeveloped Property, Property Owners' Association Property and Public Property is \$ 6,586 per Acre, times the Acreage of the Parcel.

For each Fiscal Year following Fiscal Year 2007-2008, the Maximum Special Tax for Undeveloped Property, Property Owners' Association Property and Public Property shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

**D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX**

Commencing with Fiscal Year 2007-2008 and for each following Fiscal Year, the Legislative Body shall levy the Special Tax on all Taxable Property in accordance with the following steps:

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 CFD; 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 CFD by more than ten percent (10%).



**E. EXEMPTIONS**

Land conveyed or irrevocably offered for dedication to a public agency after formation of the CFD and not otherwise shown as or not exempt pursuant to this Section E, shall be subject to the levy of Special Tax pursuant to Section 53317.3 or 53317.5 of the Act.

Notwithstanding the above, the Special Tax shall not be imposed upon any of the following:

- (1) The Legislative Body shall not levy Special Taxes on up to 233.98 Acres of Public Property which include, but not limited to, public streets, water and sewer facilities, and/or flood control drainage channels but excluding Public Property owned by a public school district.
- (2) The Legislative Body shall not levy Special Taxes on up to 10.36 Acres of Public Property that is owned by a public school district.
- (3) In addition to the exempt Acres of Public Property included in (1) and (2) above, the Legislative Body shall not levy Special Taxes on up to 152.25 Acres of Public Property and/or Property Owners' Association Property that is property dedicated and restricted for the use as open space, park, public streets, recreation area or habitat reserve.
- (4) In addition to the exempt Acres of Property Owners' Association Property referenced in (3) above, the Legislative Body shall not levy Special Taxes on up to 6.95 Acres of Property Owners' Association Property that is dedicated and restricted for use as private streets or golf course.
- (5) The Legislative Body shall not levy Special Taxes on up to 16.50 Acres that has been or is required to be dedicated to a public agency, or non-profit entity pursuant to the Western Riverside County multi-species habitat conservation plan (MSHCP).

If the limit of Acres within one of the categories described in (1), (2) or (3), above, has not been reached, the Legislative Body may, at its discretion as and when it deems appropriate, reallocate and transfer all or a portion of the remaining Acres in said category to either of the other two categories.

After the limit of Acres within each of the above has been reached, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property acreage may be prepaid pursuant to the provision within Section H., below. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, the Public Property and/or Property Owners' Association Property will be subject to the levy of the Special Tax as provided for in the fifth and sixth steps of Section D. above.

**F. MANNER OF COLLECTION, PENALTIES, PROCEDURE & LIEN PRIORITY**

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the CFD may directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until redeemed.

**G. APPEALS**

Any owner of a Parcel claiming that the amount of the Special Tax levied on such Parcel is not correct and/or requesting a refund may file a written notice of appeal with the Administrator once the Special Tax in dispute has been paid but, not later than 12 months after the mailing of the property tax bill on which the Special Tax appears. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, convene the CFD Special Tax Review Board and decide the appeal. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

**H. PREPAYMENT OF SPECIAL TAX**

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 hereunder 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; plus (b) the Assumed Administrative Expenses for such Fiscal Year.

The following definitions apply to this Section H:

**“CFD Public Facilities”** means \$33,992,560 expressed in 2007 dollars, based on proposed TUMF and RBBD fees by the Riverside County Transportation Land Management Agency and the Western Riverside Council of Governments or such lower number as i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or ii) shall be determined by the Legislative Body concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax levied under this Amended and Restated Rate and Method of Apportionment.

**“Construction Fund”** means a fund or an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

**“Construction Inflation Index”** means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

**“Future Facilities Costs”** means the CFD Public Facilities minus public facility costs available to be funded through escrow accounts or funded by the Outstanding Bonds as defined in Section A, minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

**“Outstanding Bonds”** means all previously issued Bonds issued and secured by the levy of Special Taxes, which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

**1. Prepayment in Full**

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 Section E. 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 herein; 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. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 business days prior to any redemption date, unless authorized by the Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall equal the sum of the amount as identified below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Total:	equals Prepayment Amount

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

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Approved Property and/or Developed Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Undeveloped Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Parcel. For Parcels of Public Property and/or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the current Fiscal Year for the Parcel.
3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total calculated Maximum Special Taxes for the current Fiscal Year for the entire CFD.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount derived pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Parcel (the "*Future Facilities Amount*").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Tax levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount, the Redemption Premium and the amount derived pursuant to paragraph 8, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of computation of the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. With respect to any Parcel for which the Special Tax obligation is prepaid, the Legislative Body shall cause a suitable notice to be recorded in compliance

with the Act, to indicate the prepayment of Special Tax and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

## **2. Prepayment in Part**

The Maximum Special Tax on a Parcel of Developed Property or Approved Property may be partially prepaid in increments of \$2,500. For purposes of determining the partial prepayment amount, the provision of Section H.1 or H.2 shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

- PP = the partial prepayment
- P<sub>E</sub> = the Prepayment Amount calculated according to Section H.1 or H.2
- F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.
- A = the Administrative Fees and Expenses determined pursuant to Section H.2

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 13 of Section H.2, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the Maximum Special Tax obligation will, and the Special Tax shall continue on the Parcel pursuant to Section D.

## **I. TERM OF THE SPECIAL TAX**

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall Special Taxes be levied after Fiscal Year 2044-2045.

## APPENDIX B

### GENERAL INFORMATION CONCERNING THE COUNTY OF RIVERSIDE

*The following information concerning the County of Riverside (the “County”) is presented as general background information. The Bonds are not general obligations of the County but are special obligations of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “Community Facilities District”), as more fully described in this Official Statement, and the taxing power of the County is not pledged to the payment of the Bonds.*

#### **Population**

According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 2,347,828 as of January 1, 2016, representing an approximately 1.3% increase over the County’s population as estimated for the prior year. For the ten year period of January 1, 2006 to January 1, 2016, the County’s population grew by approximately 18.8%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 285,511 as of January 1, 2016. The population growth in the County has slowed in recent years, during which period the County’s population has grown at a rate close to the statewide average.

The following table sets forth annual population figures, as of January 1 of each year, for cities located within the County for each of the years listed:

**COUNTY OF RIVERSIDE  
POPULATION OF CITIES WITHIN THE COUNTY  
(As of January 1)**

<i>City</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Banning	30,133	30,332	30,483	30,659	30,834
Beaumont	39,359	40,666	41,864	43,601	45,118
Blythe	20,570	19,894	19,305	19,254	19,813
Calimesa	7,956	7,932	8,040	8,138	8,289
Canyon Lake	10,629	10,543	10,564	10,608	10,681
Cathedral City	52,485	53,163	53,480	53,859	54,261
Coachella	42,426	43,676	44,614	45,001	45,407
Corona	156,178	159,469	162,000	163,317	164,659
Desert Hot Springs	27,973	28,385	28,605	28,794	29,048
Eastvale	55,881	57,458	59,375	60,825	63,162
Hemet	79,489	78,842	79,176	79,548	80,070
Indian Wells	5,103	5,199	5,265	5,336	5,412
Indio	79,185	83,450	84,655	86,683	88,058
Jurupa Valley	95,970	95,731	96,025	96,898	98,177
Lake Elsinore	53,457	56,039	57,368	59,142	61,006
La Quinta	38,100	38,156	38,720	39,311	39,977
Menifee	81,540	83,885	85,455	87,286	89,004
Moreno Valley	198,353	200,889	202,191	203,696	205,383
Murrieta	107,214	110,183	111,226	112,576	113,795
Norco	27,314	27,048	27,037	26,392	26,896
Palm Desert	48,924	48,282	48,494	48,835	49,335
Palm Springs	45,326	45,465	45,818	46,204	46,654
Perris	70,307	70,700	71,743	72,476	73,722
Rancho Mirage	17,583	17,685	17,783	17,920	18,070
Riverside	311,332	316,162	318,511	321,655	324,696
San Jacinto	45,385	46,216	46,649	47,087	47,656
Temecula	103,133	104,145	105,368	107,794	109,064
Wildomar	33,050	33,685	34,271	34,758	35,168
<b>TOTALS</b>					
Incorporated	1,884,355	1,913,280	1,934,085	1,957,653	1,983,415
Unincorporated	355,360	353,269	357,008	360,271	364,413
County-Wide	<u>2,239,715</u>	<u>2,266,549</u>	<u>2,291,093</u>	<u>2,317,924</u>	<u>2,347,828</u>
California	37,881,357	38,239,207	38,567,459	38,907,642	39,255,883

Source: State Department of Finance, Demographic Research Unit.

**Personal Income**

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance. The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in Riverside County increased by 106% between 2001 and 2015. The following table summarizes personal income for Riverside County for 2001 through 2015.

**PERSONAL INCOME**  
**Riverside County**  
**2001-2015**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2001	\$40,783,163	--
2002	43,435,275	6.5%
2003	47,564,824	9.5
2004	52,829,917	11.1
2005	57,669,741	9.2
2006	63,538,333	10.2
2007	66,347,611	4.4
2008	67,367,683	1.5
2009	65,359,484	(3.0)
2010	66,904,690	2.4
2011	71,213,948	6.4
2012	73,158,724	2.7
2013	75,223,346	2.8
2014	78,852,989	4.8
2015 <sup>(1)</sup>	84,025,987	6.6

<sup>(1)</sup> The last data for which information is available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for Riverside County, the State of California and the United States for the years 2002 – 2016. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME**  
**Riverside County, State of California and the United States**  
**2002-2016<sup>(1)</sup>**

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2002	\$25,745	\$33,901	\$31,815
2003	26,848	35,234	32,692
2004	28,456	37,551	34,316
2005	29,853	39,521	35,904
2006	31,574	42,334	38,144
2007	31,972	43,692	39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,315	40,277
2011	31,828	45,820	42,453
2012	32,263	48,312	44,267
2013	32,765	48,471	44,462
2014	33,867	50,988	46,414
2015	35,589	53,741	48,112
2016	n/a <sup>(1)</sup>	55,987	49,571

<sup>(1)</sup> Information for the County is not yet available.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.



## INDUSTRY AND EMPLOYMENT

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

The following table represents the Annual Average Labor Force and Industry Employment for the PMSA for the period from 2012 through 2016.

### RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE

	2012	2013	2014	2015	2016
Civilian Labor Force	1,882,900	1,897,000	1,919,900	1,961,800	1,987,400
Civilian Employment	1,665,600	1,710,500	1,763,300	1,832,300	1,870,200
Civilian Unemployment	217,300	186,500	156,600	129,500	117,200
Civilian Unemployment Rate	11.5%	9.8%	8.2%	6.6%	5.9%
Total Farm	15,000	14,500	14,400	14,800	14,700
Total Nonfarm	1,185,200	1,233,300	1,289,300	1,353,100	1,400,800
Total Private	960,600	1,008,100	1,060,500	1,119,800	1,160,300
Goods Producing	150,500	158,600	170,200	182,100	192,300
Mining and Logging	1,200	1,200	1,300	1,300	900
Construction	62,600	70,000	77,600	85,700	92,500
Manufacturing	86,700	87,300	91,300	96,100	98,900
Service Providing	1,034,700	1,074,700	1,119,100	1,170,100	1,208,508
Trade, Transportation and Utilities	287,600	299,700	314,900	332,000	346,300
Wholesale Trade	52,200	56,400	58,900	61,600	62,900
Retail Trade	162,400	164,800	169,400	174,300	179,800
Transportation, Warehousing and Utilities	73,000	78,400	86,600	97,400	104,400
Information	11,700	11,500	11,300	11,400	11,600
Financial Activities	40,200	41,300	42,300	43,900	45,300
Professional and Business Services	127,500	132,400	139,300	147,400	145,800
Educational and Health Services	173,600	187,600	194,800	205,100	214,300
Leisure and Hospitality	129,400	135,900	144,800	151,700	159,700
Other Services	40,100	41,100	43,000	44,000	45,100
Government	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>	<u>233,300</u>	<u>240,500</u>
Total, All Industries	<u>1,200,200</u>	<u>1,247,800</u>	<u>1,303,700</u>	<u>1,362,400</u>	<u>1,415,400</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The “Total, All Industries” data is not directly comparable to the employment data found in this Appendix B.

Source: State of California, Employment Development Department, March 2016 Benchmark.

The following table summarizes the labor force, employment and unemployment figures for the years 2010 through 2016 for County, the State and the nation as a whole.

**COUNTY OF RIVERSIDE,  
STATE OF CALIFORNIA AND UNITED STATES  
Average Annual Civilian Labor Force, Employment and Unemployment**

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment<sup>(1)</sup></i>	<i>Unemployment<sup>(2)</sup></i>	<i>Unemployment Rate (%)<sup>(3)</sup></i>
2010				
Riverside County	976,400	841,300	135,200	13.8%
California	18,336,300	16,091,900	2,244,300	12.2
United States <sup>(4)</sup>	153,889,000	139,064,000	14,825,000	9.6
2011				
Riverside County	978,500	849,600	128,900	13.2%
State of California	18,415,100	16,258,100	2,157,000	11.7
United States <sup>(4)</sup>	153,617,000	139,869,000	13,747,000	8.9
2012				
Riverside County	944,500	828,800	115,600	12.3%
State of California	18,519,000	16,589,700	1,929,300	10.4
United States <sup>(4)</sup>	154,975,000	142,469,000	12,506,000	8.1
2013				
Riverside County	953,200	855,300	97,900	10.3%
State of California	18,596,800	16,933,300	1,663,500	8.9
United States <sup>(4)</sup>	155,389,000	143,929,000	11,460,000	7.4
2014				
Riverside County	1,011,500	928,200	83,400	8.2%
State of California	18,811,400	17,397,100	1,414,300	7.5
United States <sup>(4)</sup>	155,922,000	146,305,000	9,617,000	6.2
2015				
Riverside County	1,035,200	965,500	69,600	6.7%
State of California	18,981,800	17,798,600	1,183,200	6.2
United States <sup>(4)</sup>	157,130,000	148,834,000	8,296,000	5.3
2016				
Riverside County	1,051,800	988,000	63,800	6.1%
California	19,102,700	18,065,000	1,037,700	5.4
United States <sup>(4)</sup>	159,187,000	151,436,000	148,976,000	4.9

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2016 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

## Largest Employers

The following table shows the largest employers located in the County as of fiscal year 2016.

### LARGEST EMPLOYERS County of Riverside 2016

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>	<i>Type of Business</i>
1.	County of Riverside	21,479	County Government
2.	March Air Reserve Base	8,500	Military Reserve Base
3.	University of California, Riverside	8,306	University
4.	Amazon	7,500	Electronic Commerce
5.	Stater Bros. Markets	6,900	Supermarkets
6.	Kaiser Permanente Riverside Medical Center	5,300	Medical Center
7.	Corona-Norco Unified School District	5,098	School District
8.	Desert Sands Unified School District	4,202	School District
9.	Riverside Unified School District	3,973	School District
10.	Pechanga Resort & Casino	3,931	Hotel & Casino

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2016.

## Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The table below presents taxable sales for the years 2007 through 2015 for the County.

### County of Riverside 2007-2015<sup>(1)</sup> (Dollars in Thousands)

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2007	45,279	\$29,023,609
2008	46,272	26,003,595
2009	42,765	22,227,877
2010	45,688	23,152,780
2011	46,886	25,641,497
2012	48,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687
2015 <sup>(1)</sup>	55,857 <sup>(1)</sup>	32,910,910 <sup>(1)</sup>

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: California State Board of Equalization, Research and Statistics Division.

## Building and Real Estate Activity

The table below sets forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2011 through 2015.

### COUNTY OF RIVERSIDE BUILDING PERMIT VALUATIONS<sup>(1)</sup> (In Thousands)

	2011	2012	2013	2014	2015 <sup>(2)</sup>
Valuation (\$000):					
Residential	\$873,411	\$1,079,405	\$1,375,593	\$1,621,751	\$1,536,742
Non-residential	<u>559,398</u>	<u>657,596</u>	<u>790,000</u>	<u>814,990</u>	<u>911,465</u>
Total*	\$1,432,809	\$1,737,001	\$2,165,593	\$2,436,741	\$2,448,207
Residential Units:					
Single family	2,659	3,720	4,716	5,007	5,007
Multiple family	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>
Total	3,720	4,629	6,143	6,938	6,196

<sup>(1)</sup> Totals may not add to sums because of rounding.

<sup>(2)</sup> The last data for which information is available.

Source: Construction Industry Research Board.

## Agriculture

Agriculture is a significant source of income in the County. In 2015, principal agricultural products were milk, nursery stock, table grapes, hay, lemons, bell peppers, eggs, grapefruit, dates and avocados.

Four areas in the County account for the major portion of agricultural activity: the Riverside/Corona and San Jacinto/Temecula Valley Districts in the western portion of the County, the Coachella Valley in the central portion and the Palo Verde Valley near the County's eastern border. The County, and all of Southern California, in recent years experienced a severe drought. The County cannot predict the impact that a prolonged drought would have on agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2011 through 2015.

### COUNTY OF RIVERSIDE VALUE OF AGRICULTURAL PRODUCTION

	2011	2012	2013	2014	2015 <sup>(1)</sup>
Citrus Fruits	\$ 119,942,513	\$ 125,711,000	\$ 142,404,000	\$ 170,891,000	\$ 199,772,000
Trees and Vines	232,649,262	217,214,000	232,536,000	223,593,000	234,928,000
Vegetables, Melons, Misc.	278,628,295	286,234,000	340,407,000	337,404,000	327,199,000
Field and Seed Crops	149,198,052	147,352,000	154,582,000	156,575,000	122,794,000
Nursery	200,154,964	190,878,100	191,215,000	172,910,000	158,648,000
Apiculture	4,844,400	4,983,400	4,715,000	4,819,000	4,897,000
Aquaculture	4,808,250	4,205,000	2,262,000	5,078,000	5,397,000
Livestock and Poultry	<u>292,030,380</u>	<u>276,553,000</u>	<u>259,683,000</u>	<u>290,746,000</u>	<u>260,015,000</u>
Grand Total	<u>\$ 1,282,256,116</u>	<u>\$ 1,253,130,000</u>	<u>\$ 1,327,804,000</u>	<u>\$ 1,362,016,000</u>	<u>\$ 1,313,650,000</u>

<sup>(1)</sup> The last data for which information is available.

Source: Riverside County Agricultural Commissioner.

## **Transportation**

Several major freeways and highways provide access between the County and all parts of Southern California. State Route 91 extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in Los Angeles County and the southern part of San Bernardino County, with the eastern part linking to the County's desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. State Route 60 provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Palm Springs. Freight service to major west coast and national markets is provided by two transcontinental railroads -- Union Pacific Railroad and the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Ontario International Airport Authority, a joint powers agency. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

## **Education**

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Approximately 92% of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

**APPENDIX C**

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT  
OF COMMUNITY FACILITIES DISTRICT**

*Upon delivery of the Series 2017 Bonds, the Community Facilities District expects to enter into a Continuing Disclosure Agreement with respect to the Series 2017 Bonds in substantially the following form:*

**APPENDIX E**  
**FORM OF OPINION OF BOND COUNSEL**



## APPENDIX F

### BOOK-ENTRY AND DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Reference made to [www.dttc.com](http://www.dttc.com) is presented as a link for additional information regarding DTC and is not a part of this Official Statement.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Community Facilities District No 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual

Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Community Facilities District or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Community Facilities District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Community Facilities District believes to be reliable, but the Community Facilities District takes no responsibility for the accuracy thereof.

**APPENDIX G**  
**BOUNDARIES**

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**CONTINUING DISCLOSURE AGREEMENT**

**by and between**

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

**and**

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

**Dated as of \_\_\_\_\_ 1, 2017**

**Community Facilities District No. 07-2 (Clinton Keith)  
of the County of Riverside  
Special Tax Bonds, Series 2017**

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## CONTINUING DISCLOSURE AGREEMENT

**THIS CONTINUING DISCLOSURE AGREEMENT** (this “Disclosure Agreement”), dated as of \_\_\_\_\_ 1, 2017, 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 August 1, 2015, by and between the Community Facilities District and the Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2017, by and between the Community Facilities District and the Trustee (as so amended and supplemented, the “Indenture”), the Community Facilities District has issued its Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the “Series 2017 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 2017 Bonds and in order to assist the underwriter of the Series 2017 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 August 1, 2015, by and between the Community Facilities District and U.S. Bank National Association, as Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2017, by and between the Community Facilities District and U.S. Bank National Association, as Trustee, and as it may be further 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 \_\_\_\_\_, 2017, relating to the Series 2017 Bonds.

**“Participating Underwriter”** means the original underwriter of the Series 2017 Bonds required to comply with the Rule in connection with the offering of the Series 2017 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 2016-17 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 2017 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 2017 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 2017 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 2017 Bonds or other material events affecting the tax status of the Series 2017 Bonds.
- (ii) Modifications to rights of holders of the Series 2017 Bonds.
- (iii) Optional, uncheduled or contingent Series 2017 Bond calls.

- (iv) Release, substitution, or sale of property securing repayment of the Series 2017 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 2017 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 2017 Bonds. If such termination occurs prior to the final maturity of the Series 2017 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 2017 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 2017 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 2017 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 2017 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 2017 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2017 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 2017 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 2017 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 2017

Date of Issuance: \_\_\_\_\_, 2017

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, 2017, 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

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**FIRST SUPPLEMENTAL INDENTURE**

**by and between**

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

**and**

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

**Dated as of \_\_\_\_\_ 1, 2017**

**Relating to  
Community Facilities District No. 07-2 (Clinton Keith)  
of the County of Riverside  
Special Tax Bonds, Series 2017**

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**FIRST SUPPLEMENTAL INDENTURE**

**THIS FIRST SUPPLEMENTAL INDENTURE** (this “Indenture”), dated as of \_\_\_\_\_ 1, 2017, is by and between **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 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**, the Board of Supervisors of the County of Riverside has established the Community Facilities District under the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”);

**WHEREAS**, the Community Facilities District is authorized under the Act to levy special taxes (the “Special Taxes”) to pay for the costs of certain public facilities (the “Facilities”) and to issue bonds payable from the Special Taxes;

**WHEREAS**, in order to provide funds to finance certain of the Facilities, the Community Facilities District previously issued its 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 \$25,170,000;

**WHEREAS**, the Series 2015 Bonds were issued pursuant to the Indenture, dated as of August 1, 2015 (the “Original Indenture”), by and between the Community Facilities District and the Trustee (capitalized undefined terms used herein have the meanings ascribed thereto in the Original Indenture);

**WHEREAS**, the Original Indenture provides that the Community Facilities District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Net Special Tax Revenues as provided therein on a parity with all other Bonds theretofore issued thereunder, but only subject to the conditions set forth therein;

**WHEREAS**, in order to provide funds to finance certain additional Facilities, the Community Facilities District has determined to issue a Series of Additional Bonds, to be designated the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the “Series 2017 Bonds”), in the aggregate principal amount of \$\_\_\_\_\_;

**WHEREAS**, the Original Indenture provides that the Original Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners thereunder may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into without the consent of any Owners to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Original Indenture;

**WHEREAS**, in order to provide for the authentication and delivery of the Series 2017 Bonds, to establish and declare the terms and conditions upon which the Series 2017 Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Community Facilities District has authorized the execution and delivery of this First Supplemental Indenture; and

**WHEREAS**, the Community Facilities District has determined that all acts and proceedings required by law necessary to make the Series 2017 Bonds, when executed by the Community Facilities District, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Community Facilities District, and to constitute this First Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this First Supplemental Indenture has been in all respects duly authorized;

**NOW, THEREFORE**, the Community Facilities District and the Trustee do hereby agree that the Original Indenture is hereby modified and amended by adding thereto an additional Article, as follows:

## ARTICLE XII

### SERIES 2017 BONDS

**Section 12.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

**“First Supplemental Indenture”** means the First Supplemental Indenture, dated as of \_\_\_\_\_ 1, 2017, by and between the Community Facilities District and U.S. Bank National Association, as Trustee.

**“Series 2017 Bonds”** means the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017, issued hereunder.

**“Series 2017 Closing Date”** means the date upon which the Series 2017 Bonds are delivered to the Original Purchaser, being \_\_\_\_\_, 2017.

**“Series 2017 Continuing Disclosure Agreement”** means the Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2017, by and between the Community Facilities District and the Trustee, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**“Series 2017 Original Purchaser”** means the original purchaser of the Series 2017 Bonds from the Community Facilities District.

**“Series 2017 Participating Underwriter”** has the meaning ascribed thereto in the Series 2017 Continuing Disclosure Agreement.

**“Series 2017 Rebate Fund”** means the fund by that name established and held by the Trustee pursuant to Section 12.07.

**“Series 2017 Rebate Requirement”** has the meaning ascribed thereto in the Series 2017 Tax Certificate.

**“Series 2017 Tax Certificate”** means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2017 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

**Section 12.02. Terms of Series 2017 Bonds.** (a) The Series 2017 Bonds shall be designated “Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017.” The aggregate principal amount of Series 2017 Bonds that may be issued and Outstanding under this Indenture shall not exceed \$\_\_\_\_\_, except as may be otherwise provided in Section 2.08.

(b) The Series 2017 Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Series 2017 Bond shall have more than one maturity

date. The Series 2017 Bonds shall be dated as of the Series 2017 Closing Date, shall be issued in the aggregate principal amount of \$\_\_\_\_\_, shall mature on September 1 of each year, shall bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months) and shall be in the principal amounts as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
----------------------------------------------	-----------------------------------	--------------------------------

(c) Interest on the Series 2017 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2017 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon shall be payable from such Interest Payment Date, (ii) a Series 2017 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Series 2017 Closing Date, or (iii) interest on any Series 2017 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 in lawful money of the United States on each Interest Payment Date. 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 2017 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 2017 Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Series 2017 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Series 2017 Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date.

(d) The principal of the Series 2017 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.

(e) The Series 2017 Bonds shall be subject to redemption as provided in Section 12.06.

(f) The Series 2017 Bonds shall be in substantially the form set forth in Exhibit C hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

(g) The Series 2017 Bonds shall initially be issued as Book-Entry Bonds.

**Section 12.03. Issuance of Series 2017 Bonds.** The Community Facilities District may, at any time, execute the Series 2017 Bonds and deliver the same to the Trustee. The Trustee shall authenticate the Series 2017 Bonds and deliver the Series 2017 Bonds to the Series 2017 Original Purchaser upon receipt of a Written Request of the Community Facilities District and upon receipt of the purchase price therefor.

**Section 12.04. Application of Proceeds of the Series 2017 Bonds.** On the Series 2017 Closing Date, the proceeds of the sale of the Series 2017 Bonds received by the Trustee, \$\_\_\_\_\_, shall be deposited by the Trustee as follows:

(a) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund;

(b) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Reserve Fund;  
and

(c) the Trustee shall deposit the amount of \$\_\_\_\_\_ in the Proceeds Account.

**Section 12.05. Costs of Issuance Fund.** (a) The Trustee shall reopen and reestablish the Costs of Issuance Fund. On the Series 2017 Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 12.04.

(b) On the last Business Day that is no later than six months after the Series 2017 Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Proceeds Account and, upon making such transfer, the Costs of Issuance Fund shall be closed.

**Section 12.06. Redemption of Series 2017 Bonds.** (a) *Optional Redemption.* The Series 2017 Bonds maturing on or after September 1, 20\_\_ shall be subject to optional redemption, in whole or in part in Authorized Denominations 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 Series 2017 Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

The Community Facilities District shall give the Trustee written notice of its intention to redeem Series 2017 Bonds pursuant to this subsection not less than 45 days (or a lesser number of days acceptable to the Trustee) prior to the applicable redemption date, unless such notice shall be waived by the Trustee.

(b) *Mandatory Redemption from Special Tax Prepayments.* The Series 2017 Bonds shall be subject to mandatory redemption, in whole or in part, on any Interest Payment Date on or after September 1, 2017, 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 2017 Bonds to be redeemed), plus accrued interest thereon to the date of redemption:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 2017 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and thereafter	100

(c) *Mandatory Sinking Fund Redemption.* The Series 2017 Bonds maturing September 1, 20\_\_ 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 Series 2017 Bonds maturing September 1, 20\_\_ 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>
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\*

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\*Maturity

If some but not all of the Series 2017 Bonds maturing September 1, 20\_\_ are redeemed pursuant to Section 12.06(a), the principal amount of Series 2017 Bonds maturing September 1, 20\_\_ to be subsequently redeemed pursuant to Section 12.06(c) shall be reduced by the aggregate

principal amount of the Series 2017 Bonds maturing on September 1, 20\_\_ so redeemed pursuant to Section 12.06(a), such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee. If some but not all of the Series 2017 Bonds maturing September 1, 20\_\_ are redeemed pursuant to Section 12.06(b), the principal amount of Series 2017 Bonds maturing September 1, 20\_\_ to be subsequently redeemed pursuant to Section 12.06(c) shall be reduced by the aggregate principal amount of the Series 2017 Bonds maturing September 1, 20\_\_ so redeemed pursuant to Section 12.06(b), 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.

The Series 2017 Bonds maturing September 1, 20\_\_ 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 Series 2017 Bonds maturing September 1, 20\_\_ 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 (September 1)	Principal Amount to Be Redeemed
--------------------------------------------------	---------------------------------------

\*

\_\_\_\_\_  
\*Maturity

If some but not all of the Series 2017 Bonds maturing September 1, 20\_\_ are redeemed pursuant to Section 12.06(a), the principal amount of Series 2017 Bonds maturing September 1, 20\_\_ to be subsequently redeemed pursuant to Section 12.06(c) shall be reduced by the aggregate principal amount of the Series 2017 Bonds maturing on September 1, 20\_\_ so redeemed pursuant to Section 12.06(a), such reduction to be allocated among redemption dates in amounts of \$5,000 or integral multiples thereof, as designated by the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee. If some but not all of the Series 2017 Bonds maturing September 1, 20\_\_ are redeemed pursuant to Section 12.06(b), the principal amount of Series 2017 Bonds maturing September 1, 20\_\_ to be subsequently redeemed pursuant to Section 12.06(c) shall be reduced by the aggregate principal amount of the Series 2017 Bonds maturing September 1, 20\_\_ so redeemed pursuant to Section 12.06(b), 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.

**Section 12.07. Series 2017 Rebate Fund.** (a) The Trustee shall establish and maintain a special fund designated the “Series 2017 Rebate Fund.” There shall be deposited in the Series

2017 Rebate Fund such amounts as are required to be deposited therein pursuant to the Series 2017 Tax Certificate, as specified in a Written Request of the Community Facilities District. All money at any time deposited in the Series 2017 Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Series 2017 Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Series 2017 Bonds pursuant to Article X hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Series 2017 Rebate Fund shall be governed exclusively by this Section and by the Series 2017 Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Community Facilities District, and shall have no liability or responsibility to enforce compliance by the Community Facilities District with the terms of the Series 2017 Tax Certificate. The Trustee may conclusively rely upon the Community Facilities District's determinations, calculations and certifications required by the Series 2017 Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Community Facilities District's calculations.

(b) Any funds remaining in the Series 2017 Rebate Fund after payment in full of all of the Series 2017 Bonds and after payment of any amounts described in this Section, shall, upon receipt by the Trustee of a Written Request of the Community Facilities District, be withdrawn by the Trustee and remitted to the Community Facilities District.

(c) On or before November 1 of each year, the Community Facilities District shall deliver to the Trustee a Written Certificate of the Community Facilities District specifying the amount of the then applicable Series 2017 Rebate Requirement. Any amount in the Series 2017 Rebate Fund in excess of the Series 2017 Rebate Requirement on November 1 of each year shall be withdrawn from the Series 2017 Rebate Fund by the Trustee and shall be deposited in the Earnings Fund.

**Section 12.08. Series 2017 Tax Covenants.** (a) The Community Facilities District shall not 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 2017 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Series 2017 Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series 2017 Bonds.

(b) In the event that at any time the Community Facilities District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the Community Facilities District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the Community Facilities District shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2017 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this



Section and of the Series 2017 Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

**Section 12.09. Continuing Disclosure.** Each of the Community Facilities District and the Trustee shall comply with and carry out all of the provisions of the Series 2017 Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of this Indenture, failure of the Community Facilities District or the Trustee to comply with the Series 2017 Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of the Series 2017 Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2017 Bonds, and upon receipt of indemnification reasonably satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Series 2017 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Section 12.10. Effect of First Supplemental Indenture.** This First Supplemental Indenture and all of the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented hereby. If there shall be any conflict between the terms of this First Supplemental Indenture and the terms of the Indenture (as in effect on the day prior to the effective date of this First Supplemental Indenture), the terms of this First Supplemental Indenture shall prevail.

**Section 12.11. Execution in Several Counterparts.** This First Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

**Section 12.12. Effective Date.** This First Supplemental Indenture shall take effect upon the Series 2017 Closing Date.

**IN WITNESS WHEREOF**, the Community Facilities District has caused this First Supplemental Indenture to be signed in its name by its representative thereunto duly authorized, and the Trustee has caused this First Supplemental Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

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

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

[SEAL]

ATTEST:

\_\_\_\_\_  
Clerk of the Legislative Body of Community  
Facilities District No. 07-2 (Clinton Keith)  
of the County of Riverside

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

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT C**

**FORM OF SERIES 2017 BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
OF THE COUNTY OF RIVERSIDE  
SPECIAL TAX BOND, SERIES 2017**

<b>INTEREST RATE</b>	<b>MATURITY DATE</b>	<b>DATED DATE</b>	<b>CUSIP</b>
	September 1, 20__	_____, 2017	

**REGISTERED OWNER: CEDE & CO**

**PRINCIPAL AMOUNT:**

Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “Community Facilities District”), for value received, hereby promises to pay, solely from the sources hereinafter described, to the Registered Owner identified above or registered assigns (the “Registered Owner”), on the Maturity Date identified above or on any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like lawful money from the date hereof payable semiannually on March 1 and September 1 in each year, commencing September 1, 2017 (the “Interest Payment Dates”), until payment of such Principal Amount in full.

This Bond is one of a series of a duly authorized issue of bonds approved by the qualified electors of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “Community Facilities District”), pursuant to the Mello-Roos Community Facilities Act of 1982, constituting Sections 53311 *et seq.* of the California Government Code (the “Act”), and issued for the purpose of financing certain public facilities, and is one of the series of bonds denominated “Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017” (the “Series 2017 Bonds”) in the aggregate principal amount of \$\_\_\_\_\_. The Series 2017 Bonds are issued pursuant to the Indenture, dated as of August 1, 2015, by and between the Community Facilities District and U.S. Bank National Association, as trustee (said entity or any successor thereto as trustee under the Indenture, the “Trustee”), as amended and supplemented by the First Supplemental Indenture of Trust, dated as of \_\_\_\_\_ 1, 2017, by and between the Community Facilities District and the Trustee (as so amended and supplemented, the “Indenture”), and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Community Facilities District has previously issued its Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the “Series 2015 Bonds”), with which the Series 2017 Bonds are on a parity. Pursuant to and as more particularly provided in the Indenture, additional bonds (“Additional Bonds”) may be issued by the Community Facilities District secured by a lien on a parity with the lien securing the Series 2015 Bonds and the Series 2017 Bonds. The Series 2015 Bonds, the Series

2017 Bonds and any Additional Bonds are collectively referred to as the “Bonds.” The Indenture is entered into, and this Bond is issued under, the Act and the laws of the State of California. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

Interest on the Series 2017 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2017 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest thereon shall be payable from such Interest Payment Date, (ii) a Series 2017 Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Series 2017 Closing Date, or (iii) interest on any Series 2017 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 in lawful money of the United States on each Interest Payment Date. 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 2017 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 2017 Bonds, which written request is received by the Trustee on or prior to the Record Date. Notwithstanding the foregoing, interest on any Series 2017 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall, if and to the extent that amounts subsequently become available therefor, be paid on a payment date established by the Trustee to the Person in whose name the ownership of such Series 2017 Bond is registered on the Registration Books at the close of business on a special record date to be established by the Trustee for the payment of such defaulted interest, notice of which shall be given to such Owner not less than ten days prior to such special record date. The principal of the Series 2017 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.

The Bonds are special obligations of the Community Facilities District, payable, as provided in the Indenture, solely from Net Special Tax Revenues and the other assets pledged therefor thereunder. 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, or any political subdivision thereof, is pledged to the payment of the Bonds.

Pursuant to and as more particularly provided in the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act, the Community Facilities District pledges to the Owners, and grants thereto a lien on and a security interest in, all of the Net Special Tax Revenues and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund. Said pledge constitutes a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Community Facilities District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Indenture, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

The Series 2017 Bonds are subject to redemption on the dates, at the Redemption Prices and pursuant to the terms set forth in the Indenture. Notice of redemption of any Series 2017 Bond or any portion thereof shall be given as provided in the Indenture.

The Series 2017 Bonds are issuable as fully-registered Bonds without coupons in Authorized Denominations (\$5,000 and any integral multiple thereof).

Any Series 2017 Bond may be transferred upon the Registration Books by the Person in whose name it is registered, in person or by such Person's duly authorized attorney, upon surrender of such Series 2017 Bond to the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Series 2017 Bond or Series 2017 Bonds shall be so surrendered for transfer, the Community Facilities District shall execute and the Trustee shall authenticate and shall deliver a new Series 2017 Bond or Series 2017 Bonds of the same maturity in a like aggregate principal amount, in any Authorized Denomination. 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. The Series 2017 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Series 2017 Bonds of the same maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners may be modified or amended in the manner, to the extent, and upon the terms provided in the Indenture.

The Indenture contains provisions permitting the Community Facilities District to make provision for the payment of the principal of and the interest and premium, if any, on any of the Bonds so that such Bonds shall no longer be deemed to be Outstanding under the terms of the Indenture.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the Registered Owner hereof, Cede & Co., has an interest herein.

**IN WITNESS WHEREOF**, the Community Facilities District has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of the Chairman of the Legislative Body of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside and attested to by the manual or facsimile signature of the Clerk of the Legislative Body of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside, all as of the Dated Date identified above.

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

By: \_\_\_\_\_  
Chair of the Legislative Body

ATTEST:

By: \_\_\_\_\_  
Clerk of the Legislative Body

**CERTIFICATE OF AUTHENTICATION**

This is one of the Series 2017 Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: \_\_\_\_\_, 2017

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

By: \_\_\_\_\_  
Authorized Signatory

## ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_, whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.



**[Principal Amount]**  
**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)**  
**OF THE COUNTY OF RIVERSIDE**  
**SPECIAL TAX BONDS, SERIES 2017**

**BOND PURCHASE AGREEMENT**

[Pricing Date], 2017

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

Ladies and Gentlemen:

Piper Jaffray & Co. (the “Underwriter”) offers to enter into this Bond Purchase Agreement (the “Purchase Agreement”) with Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “District”) with regard to the purchase and sale of Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2017 (the “Bonds”), which Purchase Agreement will be binding upon the District and the Underwriter upon the District’s acceptance hereof. This offer is made subject to its acceptance by the District by execution of this Purchase Agreement and its delivery to the Underwriter on or before 6:00 p.m., California time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the District at any time prior to the acceptance hereof by the District. All capitalized terms not otherwise defined herein shall have the meanings prescribed in the Indenture or the Official Statement (each defined below).

The District acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the District and the Underwriter, in which the Underwriter is and has been acting solely as principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Exchange Act), financial advisor or fiduciary to the District or the County of Riverside (the “County”), (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District or the County with respect to (a) this Purchase Agreement, (b) the offering of the Bonds and (c) the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, has provided other services or is currently providing other services to the District or the County on other matters); (iii) the only obligations the Underwriter has to the District or the County with respect to the transactions contemplated hereby are set forth in this Purchase Agreement or otherwise imposed by law, (iv) the Underwriter has financial and other interests that differ from those of the District and the County and (v) the District and the County have consulted with their own legal, accounting, tax, financial and other advisors, as applicable, to the extent each has deemed appropriate. The District acknowledges that the County has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”). The District acknowledges that it has engaged Fieldman, Rolapp & Associates, Inc., as its municipal advisor (as defined in Securities and Exchange Commission Rule 15Ba1 (“Rule 15Ba1”), and for financial advice purposes, will rely only on the advice of Fieldman, Rolapp & Associates, Inc.

1. Purchase, Sale and Delivery of the Bonds.

(a) Upon the terms and conditions and in reliance upon the representations, warranties and agreements of the District hereinafter set forth and the performance by the District of its obligations hereunder, the Underwriter hereby agrees to purchase from the District and the District agrees to sell to the Underwriter all (but not less than all) of the District's [Principal Amount] aggregate principal amount of the Bonds. The purchase price for the Bonds shall be \$[Purchase Price] (being 100% of the aggregate principal amount thereof, [less/plus] a net original issue [discount/premium] of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_). The Bonds will have the maturities, shall bear interest (payable semi-annually on March 1 and September 1 of each year, commencing on September 1, 2017, and will have redemption terms as set forth in Exhibit A hereto. The Bonds will be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption and such other terms as set forth in the Indenture, dated as of August 1, 2015, by and between the District and U.S. Bank National Association, as Trustee (said entity or any successor thereto as trustee under the Indenture, the "Trustee") as amended and supplemented by the First Supplemental Indenture, dated as of May 1, 2017, by and between the District and the Trustee (as so amended and supplemented, the "Indenture"), and shall be issued in book-entry-only form.

(b) The Bonds and the interest thereon shall be payable from the proceeds of a special tax (the "Special Tax") levied on property within the District and collected in accordance with the Mello-Roos Community Facilities Act of 1982 (constituting Sections 53311 *et seq.* of the California Government Code) (the "Act"), the Indenture and the Amended and Restated Rate and Method of Apportionment of Special Tax for County of Riverside Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the "Rate and Method"), together with proceeds collected from the sale of property for the delinquency of such Special Taxes, and the other amounts set aside therefore pursuant to the Indenture or amounts required to pay administrative expenses (the "Net Special Tax Revenues"). The District previously issued its Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the "2015 Bonds"), which 2015 Bonds are on a parity with the Bonds.

Pursuant to a Resolution of the Board of Supervisors of the County, acting as the Legislative Body (the "Legislative Body") of the District (the "Bond Resolution"), the Legislative Body of the District has authorized (i) the issuance of the Bonds, (ii) the execution and delivery of the First Supplemental Indenture, this Purchase Agreement and the Continuing Disclosure Agreement, dated as of May 1, 2017, by and between the District and the Trustee (the "Continuing Disclosure Agreement," and together with the Indenture and this Purchase Agreement, the "District Documents"), and the Official Statement, and (iii) the use of the Preliminary Official Statement of the District, dated [POS Date], 2017, relating to the Bonds, together with all appendices thereto (the "Preliminary Official Statement"), and the Official Statement relating to the Bonds in connection with the offering and sale of the Bonds. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed to by the County and the Underwriter. The District confirms that it does not object to distribution of the Preliminary Official Statement or the Official Statement in electronic form. The copy of the most recent Preliminary Official Statement sent to a potential purchaser shall be sent by first-class mail or electronically (or other equally prompt means) not later than the first business day following the date upon which each such request is received. References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto and any amendments or supplements thereto.

In connection with the establishment of the District and the Special Taxes imposed in connection therewith, the Board of Supervisors, acting as the Legislative Body of the District, has previously adopted a resolution of intention to establish the District (Resolution No. 2007-189, adopted on May 8, 2007 (the

“Resolution of Intention to Establish”), a resolution of intention to incur bonded indebtedness (Resolution No. 2007-190, adopted on May 8, 2007 (the “Resolution of Intention to Incur Bonded Indebtedness”), a resolution forming the District (Resolution No. CFD 2007-286, adopted on June 12, 2007 (the “Resolution of Formation”), a resolution modifying the Resolution of Intention to Establish and approving the Rate and Method (Resolution No. 2007-287, adopted on June 12, 2007 (the “Resolution Approving the Rate and Method”), a resolution declaring the necessity to issue bonds (Resolution No. CFD 2007-04, adopted on June 12, 2007 (the “Resolution of Necessity”), a resolution calling the election (Resolution No. 2007-05, adopted on June 12, 2007), a resolution declaring the results of the election (Resolution No. CFD 2007-06, adopted June 19, 2007 (the “Resolution Declaring Election Results”) and collectively, the foregoing resolutions are referred to as the (“Procedural Resolutions”) and an Ordinance (Ordinance No. 870, adopted on June 26, 2007 (the “Ordinance”) levying the Special Taxes.

The proceeds of the Bonds, together with certain existing funds of the District, are being issued for the purposes of the District as described in the Official Statement including (i) to provide additional funding for certain public infrastructure improvements relating to the Phase 3 extension of Clinton Keith Road, which Phase 3 includes improvements such that Clinton Keith Road will comprise a six-lane facility 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, (ii) to fund a deposit to the Reserve Fund, and (iii) to pay the cost of issuance of the Bonds.

(c) The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth in Exhibit A hereto, and on the inside cover page of the Official Statement of the District pertaining to the Bonds, dated [Pricing Date], 2017 (the Official Statement, derived from the Preliminary Official Statement, together with all appendices thereto, any materials incorporated by reference therein and any amendments or supplements thereto as are consented to in writing by the District and the Underwriter, is herein called the “Official Statement”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The Underwriter reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing if commenced, at any time without prior notice.

(d) The District shall deliver to the Underwriter two (2) copies of the Official Statement manually executed on behalf of the District by an “Authorized Officer” (as defined in the Bond Resolution, which includes the Chairman of the Legislative Body, the County Executive Officer of the County, the Chief Assistant County Executive Officer of the County, the Deputy County Executive Officer of the County and the County Finance Director of the County, and such other officers of the County as the County Executive Officer may designate). The District shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of the Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The District shall deliver these copies to the Underwriter within seven (7) business days after the execution of this Purchase Agreement but in no event less than three days prior to the Closing (as defined below). A failure of the District to comply with the preceding sentence shall entitle the Underwriter to rescind its offer hereunder. The Underwriter covenants to file the Official Statement with the MSRB on a timely basis in order for the Underwriter to comply with the rules of the MSRB, Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934 and other regulatory requirements relating to the issuance and sale of the Bonds. The District authorizes the Underwriter to file, to the extent required by applicable Securities and Exchange Commission (“SEC”) or MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with the MSRB or its designee (including the MSRB’s

Electronic Municipal Market Access system) or other repositories approved from time to time by the SEC (either in addition to or in lieu of the filings referred to above). The term “End Date” means the later of such time as (i) the District delivers the Bonds to the Underwriter or (ii) the Underwriter does not retain an unsold balance of the Bonds for sale to the public. Unless the Underwriter gives notice to the contrary or as otherwise agreed to by the District and the Underwriter, the End Date shall be deemed the Closing Date (as defined below).

An Authorized Officer has certified to the Underwriter on behalf of the District that the Preliminary Official Statement was deemed to be final as of its date for purposes of Rule 15c2-12 with the exception of certain final pricing and related information referred to in Rule 15c2-12. The District hereby consents to and ratifies the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the public offering of the Bonds by the Underwriter and further confirms the authority of the Underwriter to use and consents to the use of the Official Statement with respect to the Bonds, in connection with the public offering and sale of the Bonds. The Underwriter has distributed a printed or electronic copy of the Preliminary Official Statement to potential customers on request.

(e) At 8:00 a.m., California time, on [Closing Date], 2017, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the District and the Underwriter (the “Closing Date”), the District will deliver (i) the Bonds through the facilities of The Depository Trust Company (“DTC”) utilizing DTC FAST delivery system registered in the name of Cede & Co., as nominee of DTC, in definitive form, bearing CUSIP® numbers, and duly executed by the District and authenticated by the Trustee, and (ii) the closing documents hereinafter mentioned at the offices of Orrick, Herrington & Sutcliffe LLP in Los Angeles, California (“Bond Counsel”), or such other place to be mutually agreed upon by the District, Bond Counsel and the Underwriter. Subject to the provisions of this Purchase Agreement, the Underwriter will accept such delivery from the District. The Underwriter will pay the purchase price of the Bonds as set forth in Section 1(a) hereof by wire transfer of immediately available funds. The satisfaction of this payment and delivery, together with the delivery of the aforementioned documents, is herein called the “Closing.”

2. Representations, Warranties and Agreements of the District. The District hereby represents and warrants to and agrees with the Underwriter that:

(a) The District is a community facilities district of the State of California (the “State”), duly organized and validly existing pursuant to the Constitution and laws of the State, including the Act;

(b) Each of the Bond Resolution, the Procedural Resolutions and the Ordinance has been duly adopted by the Board of Supervisors, acting on behalf of itself or as the Legislative Body of the District, as applicable, at meetings thereof that 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 Bond Resolution, the Procedural Resolutions and the Ordinance have not been amended, modified, rescinded or revoked;

(c) The Board of Supervisors, acting for itself or as the Legislative Body of the District, as applicable, had full legal right, power and authority to adopt the Bond Resolution, the Procedural Resolutions and the Ordinance and the District has, and at the Closing will have, full legal right, power and authority (i) to execute, deliver and perform its obligations under the District Documents, assuming due authorization, execution and delivery by the other parties thereto, (ii) to issue, sell and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the District Documents, the Bond Resolution, the Procedural Resolutions, the Ordinance and the Official Statement;

(d) The District is, and at the Closing will be, in compliance in all material respects with the District Documents, the Bond Resolution, the Procedural Resolutions, the Ordinance and the Act;

(e) The Board of Supervisors, acting for itself or as the Legislative Body of the District, as applicable, has (i) duly and validly adopted the Procedural Resolutions, (ii) authorized and approved the preparation and delivery of the Preliminary Official Statement and the Official Statement and (iii) authorized and approved the execution and delivery of the Bonds and the District Documents, the performance by the District of its obligations contained therein and the taking of any and all actions as may be necessary to carry out, give effect to and consummate the transactions contemplated by each of said documents. The District Documents and the Bonds have been, or on or before the Closing will be, duly executed and delivered by the District, and, on the Closing Date, the Bonds, when authenticated and delivered in accordance with the Indenture, and the District Documents, assuming due authorization, execution and delivery by the other parties thereto, will constitute legally valid and binding obligations enforceable against the District in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(f) The District is not, and at the Closing will not be, 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 any loan agreement, note, resolution, indenture, fiscal agent agreement, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the District to perform its obligations under the Bonds, the District Documents, the Bond Resolution, the Procedural Resolutions or the Ordinance;

(g) The adoption of the Procedural Resolutions and the Ordinance and the execution and delivery of the Bonds, the Official Statement and the District Documents or any other applicable agreements and the other instruments contemplated by any of such documents to which the District is a party and compliance with the provisions thereof, did not 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 loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the District to perform its obligations under the Bonds, the District Documents, the Bond Resolution, the Procedural Resolutions or the Ordinance;

(h) Except as may be required under the "blue sky" laws of any state, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction, which would constitute conditions precedent to or the absence of which would materially adversely affect the ability of the District to perform its obligations under any of the Bonds, the District Documents, the Bond Resolution, the Procedural Resolutions, or the Ordinance or any other applicable agreements, have been obtained and are in full force and effect;

(i) The Bonds, the District Documents, the Bond Resolution, the Procedural Resolutions and the Ordinance conform, as to form and tenor, to the descriptions thereof contained in the Preliminary Official Statement and which will be contained in the Official Statement as of the Closing, and when delivered to and paid for by the Underwriter in connection with the Closing, as provided herein, the Bonds will be validly issued and outstanding;

(j) The Special Taxes have been duly and lawfully authorized and may be levied under and pursuant to the Act and the Constitution of the State, and such Special Taxes when levied, will constitute valid and legally binding liens on the parcels within the District on which they have been levied;

(k) There are no outstanding special tax liens levied by the District against any of the properties within the District which are senior to the Special Taxes referred to in paragraph (j) above, and the District has no present intention of conducting further proceedings leading to the levying of additional special taxes or assessments against any of the properties within the District;

(l) The Preliminary Official Statement provided to the Underwriter has been deemed final by the District, as required by Rule 15c2-12, except for the omission of no more than the information permitted to be omitted by Rule 15c2-12. As of the date thereof, the information contained in the Preliminary Official Statement (other than information with respect to The Depository Trust Company, the book-entry system, and the information contained in APPENDIX F – “BOOK-ENTRY AND DTC,” as to which the District does not express any view) 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 the Official Statement as of the date thereof (other than information with respect to The Depository Trust Company, the book-entry system and information contained in APPENDIX F – “BOOK-ENTRY AND DTC,” as to which the District does not express any view) does not and, as of the Closing, will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(m) Until the date which is 25 days after the End Date, if any event shall occur of which the District is aware as a result of which it may be necessary to supplement the Official Statement in order to make the statements contained in the Official Statement, in light of the circumstances existing at such time, not misleading, the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, as required by subparagraph (n) of this Paragraph 2;

(n) Until the date which is 25 days after the End Date (i) the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing, and (ii) if any event relating to or affecting the District shall occur as a result of which it is necessary, in the reasonable opinion of the Underwriter, to amend or supplement the Official Statement so that it will not contain an 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, the District will forthwith prepare and furnish to the Underwriter (at the expense of the District) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an 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. The costs of preparing any necessary amendment or supplement to the Official Statement shall be borne by the District. For the purposes of this Section, the District will furnish such information with respect to itself as the Underwriter may from time to time reasonably request. If any such amendment or supplement of the Official Statement shall occur after the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such amendment or supplement to the Official Statement;

(o) The Indenture will create a valid lien on and security interest in the Net Special Tax Revenues (as defined in the Indenture) and any other amounts held in the Bond Fund, the Reserve Fund and the Special Tax Fund, to the extent described in the Indenture, to secure the payment of the principal of, premium, if any, and interest on the Bonds, subject in all cases to the provisions permitting the application thereof for the purposes and on the terms and conditions set forth therein;

(p) Except as is specifically disclosed in the Official Statement, there is, and as of the Closing, there will be, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body that is pending, or to the knowledge of the District is threatened in any way, affecting the existence of the District or the County, or the titles of their officers to their respective offices or seeking to restrain or to enjoin the development of the land within the District or the issuance, sale or delivery of the Bonds, the application of the proceeds thereof, or the collection or application of the Special Taxes pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Procedural Resolutions, the Ordinance, the Bond Resolution, the District Documents or any instruments relating to the development of any of the property within the District, or any action of the District or the County contemplated by any of said documents or the Bonds, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the District or its authority with respect to the Procedural Resolutions, the Ordinance, the Bond Resolution, the Bonds or the District Documents, or any action of the District contemplated by any of said documents, or which would adversely affect the exemption of interest paid on the Bonds from federal income taxation or which would adversely affect the exemption of interest paid on the Bonds from State personal income taxation, nor to the knowledge of the District is there any basis therefor;

(q) The District will furnish such information, execute such instruments and take such other action at the expense of and in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate; *provided, however*, the District shall not be required to register as a dealer or a broker of securities or consent to the jurisdiction of any state of the United States of America, other than the State;

(r) Any certificate signed by any Authorized Officer authorized to do so shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein;

(s) During the period from the date hereof until the Closing, the District agrees to furnish the Underwriter with copies of any documents it files with any regulatory authority which are requested by the Underwriter;

(t) The District is not in default, nor has the District been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the District or with respect to an obligation guaranteed by the District as guarantor;

(u) The District shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exemption from federal income taxation or any applicable State tax of the interest on the Bonds;

(v) The District has the legal authority to and will apply the proceeds from the sale of the Bonds as set forth in and for the purposes described in the Official Statement and the proceedings in accordance with the Indenture;

(w) The issuance and sale of the Bonds is not subject to any transfer or other documentary stamp taxes of the State or any political subdivision thereof;

(x) The District will undertake, pursuant to the Indenture and the Continuing Disclosure Agreement, to comply with the provisions of the Continuing Disclosure Agreement;

(y) Based on a review of their prior undertakings and except as described in the Official Statement, since May 1, 2012, the County and other entities formed, controlled or related to the County, such as the District and other community facilities districts formed by the County have not failed to comply in any material respect with any continuing disclosure undertaking previously entered into pursuant to the provisions of Rule 15c2-12;

(z) The issuance of the Bonds complies with the Local Goals and Policies, adopted by the Legislative Body pursuant to Section 53312.7 of the Act;

(aa) The County, on behalf of the District, has adopted local debt policies which satisfy the provisions of Government Code Section 8855(i); and

(ab) The execution and delivery of this Purchase Agreement by the District shall constitute a representation to the Underwriter that the representations and warranties contained in this Section 2 are true as of the date hereof.

3. Conditions to the Obligations of the Underwriter.

The obligations of the Underwriter to accept delivery of and pay for the Bonds at the Closing shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties on the part of the District contained herein, as of the date hereof and as of the Closing, to the accuracy in all material respects of the statements of the officers and other officials of the District and other persons and entities made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the District of its obligations to be performed hereunder at or prior to the Closing and to the following additional conditions:

(a) At the Closing, the District Documents, the Procedural Resolutions, the Ordinance and the Bond Resolution and any other applicable resolutions, ordinances and agreements shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter; and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate;

(b) The representations, warranties and agreements of the District contained herein shall be true and correct on the date hereof and on and as of the Closing;

(c) At the Closing, the Official Statement shall be in form and substance acceptable to the Underwriter and the District and shall 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;

(d) Between the date hereof and the Closing, the market price or marketability of the Bonds at the initial offering prices set forth on the inside cover of the Official Statement or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written



notice to the District terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(i) Legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or favorably reported out of committee or pending in committee, or recommended to Congress for passage by the President of the United States of America, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Chairman or ranking minority member of the Committee of Ways and Means of the House of Representatives or the Chairman or ranking minority member of the Committee on Finance of the Senate, or a member of the President's Cabinet, the Department of the Treasury, the Internal Revenue Service, 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 a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), no-action letter or statement, press release or other form of notice issued or made: (A) by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon such interest as would be received by the owners of the Bonds; (B) by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of imposing State personal income taxation upon such interest as would be received by the owners of the Bonds; or (C) by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service or by or on behalf of the State or the California Franchise Tax Board, with the purpose or effect, directly or indirectly, of changing the federal or State income tax rates, respectively;

(ii) There shall have occurred (a) a declaration of a national emergency or war or engagement in new major military hostilities by the United States of America or escalation of existing military hostilities, (b) the occurrence of any other national or international emergency, calamity or crisis, financial or otherwise, (c) a downgrade by any major credit rating agency of the sovereign debt rating of the United States of America or a payment default occurs on United States Treasury obligations, or (d) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against, any state of the United States of America, or any city, county or other political subdivision located in the United States of America having a population of over 500,000;

(iii) Legislation enacted by the Congress of the United States of America or the State legislature, or favorably reported out of committee or pending in committee, or recommended to the Congress for passage by the President of the United States or a member of the President's Cabinet, or a decision by a court of the United States of America rendered, or a stop order, ruling, regulation, proposed regulation, no-action letter or statement by, or on behalf of, the SEC or any other governmental agency having jurisdiction of the subject matter issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended, and as then in effect, or that the Indenture must be qualified under the Trust Indenture Act of 1939, as amended and as then in effect;

(iv) The declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange or

a material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred;

(v) The imposition by the New York Stock Exchange or other national securities exchange or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds, or the material increase of any such restrictions now in force or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order 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 reasonable 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

(xi) 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, 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) 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;

(B) This Purchase Agreement has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding obligation of the District, is in full force and effect as of the Closing and is enforceable in accordance with its 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;

(C) The Continuing Disclosure Agreement has been duly authorized, executed and delivered by the District and constitutes the legal, valid and binding obligation of the District, is in full force and effect as of the Closing and is enforceable in accordance with its 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 (no opinion regarding the adequacy of the Continuing Disclosure Agreement for purposes of Securities and Exchange Commission Rule 15c2-12 may be inferred from the opinion);

(D) The statements contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE SERIES 2017 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS – Tax Matters" and

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APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture and the form and content of such firm’s approving opinion, are accurate in all material respects;

(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, Riverside County Counsel, as counsel to the County (“Counsel to the County”), 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 District is duly organized and validly existing under the Constitution and law of the State of California (the “State”) as a community facilities district under the Act;

(B) The District has full legal right, power and authority to execute and deliver the District Documents;

(C) The District Documents have been duly authorized, executed and delivered by the District and, assuming due authorization and execution by any other applicable parties thereto, the District Documents constitute the valid and binding obligations of the District, enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally, to the limitations on legal remedies against political subdivisions in the State, and to the application of equitable principles if equitable remedies are sought;

(D) The Board of Supervisors adopted the resolutions and ordinances forming the District, confirming the Special Taxes, approving the District Documents and authorizing the sale and issuance of the Bonds at meetings of the Board of Supervisors which were called, held and conducted pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolutions and ordinances are now in full force and effect and have not been amended, modified or rescinded;

(E) Except as disclosed in the Official Statement, to the best of such counsel’s current, actual knowledge, after due inquiry, there are no actions, suits, proceedings,

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inquiries or investigations, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the District or the County, acting on behalf of the District, for which the District or the County has been served, to restrain or to enjoin the issuance of the Bonds, the collection or application of the Special Taxes, or the payment of principal of and interest on the Bonds, or in any way contesting the validity of the formation of the District, the Bonds or the District Documents;

(F) The execution and delivery of the District Documents, and compliance with the provisions thereof and the provisions of the Purchase Agreement, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District or the County, acting on behalf of the District, a breach of or default under any agreement or other instrument to which either is a party or by which either is bound or any existing law, regulation, court order or consent decree to which either is subject that would materially adversely affect the ability of the District to pay the principal or interest on the Bonds; and

(G) Except as disclosed in the Official Statement, the Special Taxes constituting the security for the Bonds have been duly and lawfully levied under and pursuant to the Act and constitute valid and legally binding liens on the properties on which they have been levied, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other similar laws relating to or affecting creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against political subdivisions in the State;

(vii) The opinion of James F. Anderson Law Firm, A Professional Corporation, 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 municipal 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 (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 an Authorized Officer, 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

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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 District to the effect that (A) the District 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 District and actions taken by the Board of Supervisors, acting as the Legislative Body of the District, 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 "Trustee Documents"), and any other documentation relating to the Trustee Documents, and to perform its obligations under the Trustee Documents;

(B) The execution and delivery by the Trustee of the Trustee Documents and any other documentation relating to the Trustee Documents, and its performance of its obligations under the Trustee Documents, 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 Trustee Documents;

(E) The Trustee Documents 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 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 \$72,828 for Fiscal Year 2017-18, and escalating at 2% each fiscal year, is at least 110% of the annual debt service for the Bonds and the 2015 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 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 Tax," "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 copy of the Blanket Letter of Representations to DTC relating to the Bonds signed by the County;

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

(xx) 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

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Preliminary Official Statement and the Official Statement, of the District's representations and warranties contained herein and the due performance or satisfaction by 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 Special Tax Consultant 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, any accountants, municipal 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 the California Debt and Investment Advisory Commission in connection with the Bonds, CUSIP<sup>®</sup> 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<sup>®</sup> fees, fees of the MSRB, the fees and disbursements of its counsel, fees of Digital Assurance Certification, LLC regarding the County of Riverside and its affiliated entities compliance with prior continuing disclosure undertakings, and advertising expenses. Meals in connection with or adjacent to meetings, rating agency presentations, pricing activities or other transaction-related activities shall be considered an expense of the transaction and included in the expense component of the Underwriter's discount.

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.  
2321 Rosecrans Avenue, Suite 3200  
El Segundo, California 90245  
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 Purchase 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: \_\_\_\_\_  
Ivan Chand, Deputy County Executive Officer

Time of Execution: [Pricing Date], 2017  
\_\_\_\_ 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 2017**

**MATURITY SCHEDULE FOR THE BONDS**

\$ \_\_\_\_\_ Serial Bonds

<b><u>Maturity</u> <u>September 1</u></b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>
Serial Bonds:				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
Term Bonds:				
20__				
20__				

<sup>[C]</sup> Priced to par call of September 1, 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 September 1, 2017, 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>
September 1, 2017 through March 1, 20__	103%
September 1, 20__ and March 1, 20__	102
September 1, 20__ and March 1, 20__	101
September 1, 20__ and thereafter	100

**Mandatory Sinking Payment Redemption.** The Bonds maturing on September 1, 20\_\_ 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 (September 1)	Principal Amount to Be <u>Redeemed</u>
20__	
20__	
20__*	

\*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 (September 1)	Principal Amount to Be <u>Redeemed</u>
20__	
20__	
20__*	

\*final maturity

**EXHIBIT B**

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

Piper Jaffray & Co.  
2321 Rosecrans Avenue, Suite 3200  
El Segundo, California 90245

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], 2017

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 2017**

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 2017 (the “District,” the “County” and the “Bonds,” 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], 2017 (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.
- 1.5 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.

**2. 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.

**3. Defined Terms**

Capitalized terms used in this certificate, unless otherwise defined herein or in the Indenture, dated as of August 1, 2015, by and between the District and U.S. Bank National Association, as Trustee (said entity or any successor thereto as trustee under the Indenture, the “Trustee”) as amended and supplemented by the First Supplemental Indenture, dated as of May 1, 2017, by and between the District and the Trustee (as so amended and supplemented, the “Indenture”), 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], 2017

**PIPER JAFFRAY & CO.**

By: \_\_\_\_\_  
Authorized Signatory

[POS Date], 2017

\$ \_\_\_\_\_ \*

**COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)  
OF THE COUNTY OF RIVERSIDE  
SPECIAL TAX BONDS, SERIES 2017**

**RULE 15c2-12 CERTIFICATE - DISTRICT**

Piper Jaffray & Co.  
2321 Rosecrans Avenue, Suite 3200  
El Segundo, California 90245

**Re: Community Facilities District No. 07-2 (Clinton Keith)  
of the County of Riverside  
Special Tax Bonds, Series 2017**

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 2017 (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], 2017, 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