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

ITEM
3.6
(ID # 8360)

MEETING DATE:
Tuesday, November 6, 2018

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Issuance of the County of Riverside Community Facilities District No. 05-8 (Scott Road) Special Tax Bonds, Series 2018 (the "Series 2018 Bonds"), All Districts. [$246,532 - 100% Bond Proceeds] (Vote on Separately)

RECOMMENDED MOTION: That the Board of Supervisors as the *ex officio* legislative body of Community Facilities District No. 05-8 (Scott Road) of the County of Riverside:

1. Approve and adopt Resolution No. CFD 2018-10;
   - (a) authorizing the issuance of Community Facilities District No. 05-8 Series 2018 Special Tax Bonds in an aggregate principal amount not to exceed $6,000,000,
   - (b) authorizing the execution and delivery of a First Supplement to the Indenture, a Bond Purchase Agreement, and a Continuing Disclosure Agreement, and
   - (c) authorizing the preparation of an Official Statement and all other matters related thereto.

ACTION: Policy, Separate Vote Required

Stephanie Perez, Principal Management Analyst 10/25/2018

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes:	Jeffries, Tavaglione, Washington, Perez and Ashley
Nays:	None
Absent:	None
Date:	November 6, 2018
xc:	EO

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$246,532	$0	$246,532	$0
NET COUNTY COST	$	$	$	$
SOURCE OF FUNDS: 100% Bond Proceeds			Budget Adjustment:	No
			For Fiscal Year:	18/19

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Community Facilities District No. 05-8 (Scott Road) was formed on April 18, 2006, to finance improvements along Scott Road including: (i) the widening of Scott Road between Antelope Road and Briggs Road to four lanes, (ii) the widening of the interchange at Interstate 215 and Scott Road and the modification of the ramps to meet future traffic demands including all associated appurtenances and any rights-of-way, (iii) the full width improvement to Scott Road from Antelope Road to Highway 79 including all associated appurtenances and any rights-of-way, and (iv) other road facilities and appurtenances authorized under the County's Transportation Uniform Mitigation Fee program, as amended from time to time. On the same date, a landowner election was held authorizing the community facilities district ("CFD") to incur bonded indebtedness up to a maximum of $100 million.

On January 8, 2008, the Series 2008 Bonds were issued in the amount of $11.6 million. On February 28, 2013, the Refunding Series 2013 Bonds refunded the Series 2008 Bonds and financed a new money portion to be applied towards additional phases of the project. The total financed amount of the Series 2013 Bonds was approximately $16.8 million. The current outstanding amount is $16.3 million with a maturity date of September 1, 2042.

Based on development that has occurred in the District since the original bonds were issued, current market conditions allow for the issuance of the 2018 Bonds. The proposed project consists of reconstructing the Scott Road/I-215 Interchange utilizing a modified "partial cloverleaf" interchange configuration.

The 2018 Bonds will be issued on parity with the Series 2013 Bonds. They will have a shared reserve fund with the Series 2013 Bonds sized at the lesser of the 3-par IRS test. The Series 2018 Bonds will contribute approximately $234,453 to the existing reserve amount of approximately $1.53 million. The Series 2018 Bonds will have a 30-year term, with a debt service wrapped around the debt service of the Series 2013 Bonds, and principal starting to amortize in 2043 after the Series 2013 Bonds have matured. The final maturity of the Series 2018 Bonds will be on September 1, 2048. The aggregate combined debt service of the Series 2013 Bonds and the Series 2018 Bonds is ascending, proportional to the growth in special tax revenues in the district. The aggregate combined debt service is projected to be approximately $1.8 million in 2042, the maturity date of the Series 2013 Bonds. Afterwards, it is projected to range between approximately $954,000 in 2043 and $1.06 million at the final maturity date of the Series 2018 Bonds in 2048. The Series 2018 Bonds will net approximately $5 million for the project. The projected special tax revenues in the district are estimated to result in aggregate annual debt service coverage in excess of 120% of the combined Series 2013 Bonds and Series 2018 Bonds' debt service. The County's issuance cost will be approximately $246,532 assuming $6 million in bond proceeds. It is anticipated that the true interest cost will be approximately 4.71%. These estimates are preliminary and subject to change based on actual market conditions at the time of the sale of the Series 2018 Bonds, which is currently scheduled for November 28, 2018.

If approved, staff recommends issuing approximately $6 million in fixed interest rate bonds.

The proposed sale and issuance of the Series 2018 Bonds has been reviewed and approved by the County's Debt Advisory Committee.

Impact on Citizens and Businesses

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: 1/29/13 8.1

Ivan Chand, Deputy County Executive Officer	10/31/2018	Gregory P. Priamos, Director County Counsel	10/31/2018

Board of Supervisors
***Ex officio* Legislative Body**

County of Riverside
Community Facilities Districts

RESOLUTION NO. CFD 2018-10

A RESOLUTION OF THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE AUTHORIZING THE ISSUANCE OF COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE SPECIAL TAX BONDS, SERIES 2018 IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $6,000,000, AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS AND TAKING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County of Riverside (the "County") has formed Community Facilities District No. 05-8 of the County of Riverside (the "District") under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the "Act"); and

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

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

WHEREAS, on April 4, 2006, following a noticed public hearing, the Board of Supervisors adopted Resolution No. 2006-092 approving the formation of the District, authorizing the levy of Special Taxes therein and calling a special election; and

WHEREAS, on April 4, 2006, the Legislative Body adopted Resolution No. CFD 2006-02 deeming it necessary to incur bonded indebtedness in an amount of not to exceed $100,000,000 within the District; and

WHEREAS, on April 18, 2006, a bond proposition was submitted to the qualified electors within the District and was approved by more than two-thirds of the votes cast at the election held within the District on April 18, 2006; and

WHEREAS, based upon the aforesaid resolution and election, the District is now authorized pursuant to the Act to issue bonds in an aggregate principal amount not to exceed $100,000,000; and

WHEREAS, pursuant to a Bond Indenture dated as of January 1, 2008, the District previously issued its Special Tax Bonds, Series 2008 (the "2008 Bonds") in the original aggregate principal amount of $11,585,000, to finance public improvements; and

WHEREAS, pursuant to an Indenture dated as of February 1, 2013 (the "Original Indenture"), the District previously issued its Special Tax Bonds, Series 2013 (the "2013 Bonds") in the original aggregate principal amount of $16,875,000 to refinance the 2008 Bonds and finance additional public improvements; and

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WHEREAS, the District desires to finance certain additional public improvements through the issuance of bonds in an aggregate principal amount not to exceed $6,000,000, designated as the "Community Facilities District No. 05-8 (Scott Road) of the County of Riverside Special Tax Bonds, Series 2018" (the "2018 Bonds") on a parity with the 2013 Bonds; and

WHEREAS, in order to effect the issuance of the 2018 Bonds, the Legislative Body desires to approve the form of a Preliminary Official Statement for the 2018 Bonds and to approve the forms, and authorize the execution and delivery, of a First Supplement to Indenture (the "First Supplement," and together with the Original Indenture, the "Indenture"), a Continuing Disclosure Agreement, and a Bond Purchase Agreement for the 2018 Bonds; and

WHEREAS, in accordance with Government Code Section 53360.4, the Legislative Body determines that a negotiated sale of the 2018 Bonds to Stifel, Nicolaus & Company, Incorporated (the "Underwriter") in accordance with the terms of the Bond Purchase Agreement for the Bonds to be entered into by the District and the Underwriter (the "Bond Purchase Agreement") will result in a lower overall cost to the District than a public sale; and

WHEREAS, the Legislative Body determines that it is prudent in the management of its fiscal affairs to issue the 2018 Bonds; and

WHEREAS, the Fiscal Year 2018-19 assessed value determined by the Riverside County Assessor's Office of the real property that is subject to the Special Taxes to pay debt service on the 2018 Bonds is $436,608,319, which is not less than three times the sum of the maximum principal amount of the outstanding 2013 Bonds ($16,335,000) plus the maximum principal amount of the outstanding 2018 Bonds ($6,000,000) plus the principal amount of all other bonds outstanding that are secured by Special Taxes levied pursuant to the Act on property within the District or a special assessment levied on property within the District ($17,809,469), the sum of those three numbers being $40,144,469; and

WHEREAS, pursuant to the requirements of Section 5852.1 of the California Government Code (the "Code"), set forth below are good faith estimates provided to the District by Fieldman, Rolapp & Associates, Inc., the District's municipal advisor, based on market conditions as of October 9, 2018. The following estimates have no bearing on, and should not be misconstrued as, any not to exceed financial parameters authorized by this resolution.

(a) The true interest cost of the 2018 Bonds is estimated at 4.71% calculated as provided in Section 5852.1(a)(1)(A) of the Code.

(b) The finance charge of the 2018 Bonds, including all fees and charges paid to third parties, is estimated at $246,532.

(c) Proceeds of the 2018 Bonds received by the District for the sale of the 2018 Bonds are equal to $5,000,000.

(d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at $12,627,192.

The foregoing estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth above.

WHEREAS, there have been prepared and submitted to the Legislative Body at this meeting forms of:

(a) the First Supplement;

(b) the Preliminary Official Statement;

(c) the Continuing Disclosure Agreement;

(d) the Bond Purchase Agreement; and

WHEREAS, the District desires to authorize the issuance of the 2018 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 2018 Bonds;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE ACTING *EX OFFICIO* AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 05-8 OF THE COUNTY OF RIVERSIDE, in regular session assembled on November 6, 2018, does hereby resolve, find, determine and order as follows:

Section 1. Each of the above recitals is true and correct, as is each of the findings and determinations set forth therein, and each of said recitals, findings and determinations is adopted by the Legislative Body.

Section 2. The issuance of the 2018 Bonds in a principal amount not to exceed $6,000,000 is hereby authorized; and the exact principal amount to be issued shall be determined by the officer signing the Bond Purchase Agreement in accordance with Section 5 below. The 2018 Bonds shall mature on the dates and bear interest at the rates set forth in the Bond Purchase Agreement to be executed on behalf of the District in accordance with Section 5 hereof. The 2018 Bonds shall be governed by the terms and conditions of the Original Indenture, as supplemented by the First Supplement between the District and U.S. Bank National Association, as Trustee, in substantially the form presented at this meeting. The First Supplement shall be executed by one or more of the Chairperson or Clerk of the Legislative Body, or the Executive Officer, Deputy Executive Officer, or such other officers of the County as the County Executive Officer may designate (collectively, the "Authorized Officers") substantially in the form presented at this meeting, with such additions thereto and changes therein as the officer or officers executing the same deem necessary or desirable, such approval to be conclusively evidenced by the execution and delivery thereof. Capitalized terms used in this Resolution which are not defined herein have the meanings ascribed to them in the Indenture.

Section 3. The 2018 Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairperson of the Legislative Body, and attested with the manual or facsimile signature of the Clerk of the Legislative Body. U.S. Bank National Association is hereby appointed to act as Trustee for the 2018 Bonds.

Section 4. The form of the Bond Purchase Agreement presented at this meeting and the sale of the 2018 Bonds pursuant thereto are hereby approved, provided that the true interest cost on the 2018 Bonds does not exceed 6.0% per annum and the discount at which the Underwriter purchases the 2018 Bonds (exclusive of original issue discount) does not exceed 1.5% of the principal amount thereof, as determined by the Executive Officer or Deputy Executive Officer of the County, or their authorized designees. Any one of the Authorized Officers is hereby authorized to execute the Bond Purchase Agreement, with such additions thereto and changes therein as the officer executing it may approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. Each of the Authorized Officers is authorized to determine the day on which the 2018 Bonds are to be priced in order to attempt to produce the lowest borrowing cost for the District and may reject any terms presented by the Underwriter if determined not to be in the best interest of the District.

Section 5. The proposed form of the Continuing Disclosure Agreement, by and between the District and U.S. Bank National Association, as Trustee and as Dissemination Agent (the "Dissemination Agent"), presented to the Legislative Body at this meeting, is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Agreement to the Dissemination Agent in substantially said form, with such changes therein as County Counsel and Bond Counsel may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Agreement by the Authorized Officer executing the same.

Section 6. The form of the Preliminary Official Statement presented at this meeting is hereby approved, and the Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the 2018 Bonds in the form hereby approved, together with such additions thereto and changes therein as are determined necessary or desirable by any Authorized Officer, each acting alone, to make such Preliminary Official Statement final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading. Each of the Authorized Officers is hereby authorized to execute a final Official Statement in the form of the Preliminary Official Statement, together with such changes as are determined necessary by the County Executive Officer or the Deputy County Executive Officer, to make such Official Statement complete and accurate as of its date. The Underwriter is further authorized to distribute the final Official Statement for the 2018 Bonds and any supplement thereto to the purchasers thereof upon its execution on behalf of the District as described above.

Section 7. Stradling Yocca Carlson & Rauth, a Professional Corporation ("Stradling") shall act as Bond Counsel with respect to the issuance of the 2018 Bonds. Fieldman, Rolapp & Associates, Inc. ("Fieldman") shall act as municipal advisor with respect to the issuance of the 2018 Bonds. Webb Municipal Finance ("Webb") shall act as special tax consultant with respect to the issuance of the 2018 Bonds. Each of the Authorized Officers is authorized to execute an agreement with each of Stradling, Fieldman and Webb to act in their respective capacities with respect to the issuance of the 2018 Bonds, if an agreement is required, and to pay for the cost of such services, together with other Costs of Issuance (as defined in the Indenture), with 2018 Bond proceeds.

Section 8. The Authorized Officers and all officers and staff of the County and the District who are responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions and to execute and deliver any and all documents as are necessary to accomplish the issuance, sale and delivery of the 2018 Bonds in accordance with the provisions of this Resolution and the fulfillment of the purposes of the 2018 Bonds as described in the Indenture, including, but not limited to, providing certificates as to the accuracy of any information relating to the District which is included in the Official Statement and such other certificates as described in the Indenture or Bond Purchase Agreement. In the event that the Chairperson of the Legislative Body is unavailable to sign any document authorized for execution herein, any other member of the Legislative Body, or his designee, may sign such document. Any document authorized herein to be signed by the Clerk of the Legislative Body may be signed by a duly-appointed deputy clerk.

ADOPTED, SIGNED AND APPROVED this 6th day of November, 2018, by the Board of Supervisors of the County of Riverside, acting *ex officio* as the Legislative Body of Community Facilities District No. 05-8 of the County of Riverside.

Chuck Washington, Chairman of the Board of Supervisors, acting *ex officio* as the Chairman of the Legislative Body

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

By: , Deputy

FORM APPROVED COUNTY COUNSEL
BY: 2 Nov 2018
DAVID M. McCARTHY DATE

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

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 2018-10 was duly adopted by the Board of Supervisors of said County, acting *ex officio* as the Legislative Body of Community Facilities District No. 05-8 of the County of Riverside, at a meeting of said Board held on the 6th day of November, 2018, and that it was so adopted by the following vote:

AYES: Jeffries, Tavaglione, Washington, Perez 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)
) ss.
COUNTY OF RIVERSIDE)

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 2018-10 of the Board of Supervisors of said County, acting *ex officio* as the legislative body of Community Facilities District No. 05-8 of the County of Riverside, and that the same has not been amended or repealed.

Dated: November 6, 2018

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

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

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Stradling Yocca Carlson & Rauth
Draft dated October 23, 2018

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER __, 2018

NEW ISSUE **NOT RATED**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2018 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2018 Bonds is exempt from State of California personal income tax. See the caption "TAX MATTERS" with respect to tax consequences concerning the 2018 Bonds.

$5,195,000*
COMMUNITY FACILITIES DISTRICT NO. 05-8
(SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2018

Dated: Date of Delivery Due: September 1, as shown on the inside cover page

The Community Facilities District No. 05-8 (Scott Road) of the County of Riverside Special Tax Bonds, Series 2018 (the "2018 Bonds") are being issued and delivered by Community Facilities District No. 05-8 (Scott Road) of the County of Riverside (the "District") to (i) provide additional financing for certain public infrastructure improvements along a section of Scott Road, (ii) increase the balance in the reserve fund to equal the Reserve Requirement as of the date of issuance of the 2018 Bonds and (iii) pay the costs of issuance with respect to the 2018 Bonds. See "SOURCES AND USES OF FUNDS" herein. The District has been formed by and is located in the County of Riverside, California (the "County").

The 2018 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 February 1, 2013, as supplemented by that certain First Supplement to Indenture, dated as of December 1, 2018 (collectively, the "Indenture"), each by and between the District and U.S. Bank National Association, as trustee (the "Trustee").

The 2018 Bonds are special obligations of the 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 District subject to the Special Tax and from certain other funds pledged under the Indenture, all as further described herein. The 2018 Bonds are payable from Special Taxes on a parity with the District's 2013 Special Tax Bonds, which are currently outstanding in the aggregate principal amount of $16,335,000.

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 District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The Board of Supervisors of the County is the legislative body of the District.

The 2018 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 and integral multiples thereof in book-entry form only. Purchasers of 2018 Bonds will not receive certificates representing their beneficial ownership of the 2018 Bonds but will receive credit balances on the books of their respective nominees. Interest on the 2018 Bonds will be payable semiannually on each March 1 and September 1, commencing on March 1, 2019. Principal of and interest on the 2018 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 2018 Bonds. See "THE 2018 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 2018 Bonds. Except for the Net Special Tax Revenues (as defined herein), no other taxes are pledged to the payment of the 2018 Bonds. The 2018 Bonds are special tax obligations of the 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 2018 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 2018 BONDS — Redemption" herein.

Certain events could affect the ability of the District to pay the principal of and interest on the 2018 Bonds when due. The purchase of the 2018 Bonds involves significant investment risks, and the 2018 Bonds may not be suitable investment for many investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2018 Bonds.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The 2018 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the County and the District by County Counsel and for the Underwriter by Nixon Peabody LLP, Los Angeles, California, as counsel to the Underwriter. It is anticipated that the 2018 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about December __, 2018.

STIFEL

Dated: November __, 2018.

* *Preliminary, subject to change.*

MATURITY SCHEDULE

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP No.®*†

$__________ ______% Term Bonds due September 1, 20__, Yield: ______% Price: _______ CUSIP No.† __________

$__________ ______% Term Bonds due September 1, 20__, Yield: ______% Price: _______ CUSIP No.† __________

COMMUNITY FACILITIES DISTRICT NO. 05-8
(SCOTT ROAD)

COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

Board of Supervisors

Chuck Washington, Third District, Chairman
Kevin Jeffries, First District, Vice Chairman
John Tavaglione, Second District
V. Manuel Perez, Fourth District
Marion Ashley, Fifth District

County Officials

George Johnson, County Executive Officer
Jon Christensen, Treasurer-Tax Collector
Paul Angulo, Auditor-Controller
Peter Aldana, Assessor-County Clerk-Recorder
Gregory P. Priamos, County Counsel
Don Kent, Finance Officer

SPECIAL SERVICES

Bond and Disclosure Counsel

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

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Special Tax Consultant

Webb Municipal Finance LLC
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 District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the 2018 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 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 2018 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 2018 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 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 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 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 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 2018 Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of such bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2018 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 2018 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such Act. The 2018 Bonds have not been registered or qualified under the securities laws of any state.

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OFFICIAL STATEMENT

$5,195,000*
COMMUNITY FACILITIES DISTRICT NO. 05-8
(SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
SPECIAL TAX BONDS, SERIES 2018

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 2018 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. 05-8 (Scott Road) of the County of Riverside (the "District") of the $5,075,000* Community Facilities District No. 05-8 (Scott Road) of the County of Riverside Special Tax Bonds, Series 2018 (the "2018 Bonds"). The proceeds of the 2018 Bonds, together with certain existing funds of the District, will be used to (i) provide additional financing for certain public infrastructure improvements along a section of Scott Road, (ii) increase the balance in the reserve fund to equal the Reserve Requirement upon issuance of the 2018 Bonds, and (iii) pay costs of issuance of the 2018 Bonds. See "SOURCES AND USES OF FUNDS" herein.

The 2018 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 dated as of February 1, 2013, as supplemented by that certain First Supplement to Indenture, dated as of December 1, 2018 (collectively, the "Indenture"), each by and between the District and U.S. Bank National Association (the "Trustee"). Upon their issuance, the 2018 Bonds will be secured under the Indenture by a pledge of and lien upon Net Special Taxes Revenues (as defined herein) and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund as described in the Indenture. The 2018 Bonds are payable from Net Special Tax Revenues on a parity with the District's Special Tax Bonds, Series 2013, which are currently outstanding in the aggregate principal amount of $16,335,000 (the "2013 Bonds").

Under the terms of the Indenture, under certain conditions the District may issue additional bonds secured by the Net Special Tax Revenues of the District on a parity with the 2013 Bonds and 2018 Bonds ("Additional Bonds"). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds." The term "Bonds" means the 2013 Bonds and the 2018 Bonds together with any Additional Bonds.

The District

Formation Proceedings. The District was formed by the County of Riverside, California (the "County") pursuant to the Act.

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* *Preliminary, subject to change.*

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

Pursuant to the Act, the Board of Supervisors of the County adopted the necessary resolutions stating its intent to establish the District, to authorize the levy of Special Taxes on taxable property within the boundaries of the District, and to have the District incur bonded indebtedness. Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors of the County adopted resolutions establishing the District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On April 18, 2006, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the District, authorized the District to incur bonded indebtedness in an aggregate principal amount not to exceed $100,000,000 and approved the rate and method of apportionment of the Special Taxes for the District (the "Rate and Method") to pay the principal of and interest on the bonds of the 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 District.

The District was formed to finance various public improvements needed as a result of the proposed development within the District, including the widening of the interchange at Interstate 215, the widening of sections of Scott Road and construction of other road facilities authorized under the County's Transportation Uniform Mitigation Fee program (the "Facilities"). The 2013 Bonds were issued to finance the widening of a section of Scott Road and to refund the District's previously-issued Special Tax Bonds, Series 2008. The 2018 Bonds will finance additional Facilities. See "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities; Facilities Financing Plan." Additional Bonds are expected to 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 District and surrounding areas.

As a condition to development, the County is requiring each of the landowners proposing development in a designated area to join the District. Future annexations of other developments may occur. The County has adopted Local Goals and Policies for Land Secured Financing Districts, which establish several categories of community facilities districts that will be used by the County to finance various types of public facilities. The 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 2018 BONDS — Authority for Issuance" and "THE COMMUNITY FACILITIES DISTRICT — Description of Authorized Facilities; Facilities Financing Plan."

Development Status. The District consists of a number of noncontiguous properties located in part in the newly incorporated City of Menifee and in part in an unincorporated portion of the County 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 District is located on both the east and west sides of Interstate 215 which is a major freeway connecting the cities of Riverside and San Diego.

The District is comprised of approximately 1,344 gross acres which is expected to be developed into approximately 758 residential acres, approximately 295 acres of street areas, approximately 229 acres of open space and drainage, approximately 49 acres of park space and approximately 13 acres of detention basins. The District may also contain a school of approximately 12 acres. Based on existing zoning and land use entitlements approved by or being processed by the County, the County estimates that the land within the

District has a potential build out of approximately 4,963 residential units consisting of 3,174 single family detached units and 1,789 attached units.

For the Fiscal Year 2018-19 Special Tax levy, there were 1,028 parcels within the District classified as Developed Property which were levied at the Assigned Special Tax rates under the Rate and Method. As of June 1, 2018, within the District there are 969 completed single family attached and detached residential units which have been completed and conveyed to individual homeowners, 99 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units, and one completed multi-family apartment complex. All of such units will be classified as Developed Property under the Rate and Method for the Fiscal Year 2019-20 and are expected to be levied at the Assigned Special Tax rates. Special Taxes from Developed Property are expected to be at least 110% of maximum annual debt service on the 2013 Bonds and the 2018 Bonds plus administrative expenses of the District. However, Additional Bonds may be issued under certain conditions on a parity with the 2013 Bonds and the 2018 Bonds which could potentially cause part of or all of the 2013 Bonds and the 2018 Bonds to be expected to be payable from Special Taxes on Approved Property and Undeveloped Property (as such terms are defined in the Rate and Method). 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."

Additionally, as of June 1, 2018, within the District there are projected to be 724 parcels of Approved Property (as such term is defined in the Rate and Method) and 655.46 acres of Undeveloped Property (as such term is defined in the Rate and Method) for Fiscal Year 2019-20. Such parcels are not expected to be levied by the District until such parcels become Developed Property under the Rate and Method or Additional Bonds are issued; however, if insufficient Special Taxes are projected to be received from Developed Property, the District will also levy Special Taxes on Approved Property and Undeveloped Property. See "THE COMMUNITY FACILITIES DISTRICT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds."

During Fiscal Year 2007-08, four parcels consisting of approximately 12.41 acres within Final Tract Map No. 12598 were annexed into the District ("Annexation No. 1"). The Annexation No. 1 parcels are owned by Cantabria Development, successor in interest to Fairfield Holland Road LLC ("Fairfield Holland"). Fairfield Holland developed the property within Annexation No. 1 into 230 multi-family apartments. Cantabria Development is the largest taxpayer in the District in Fiscal Year 2018-19 responsible for approximately 14.35% of the projected Fiscal Year 2019-20 Special Tax levy. See "THE COMMUNITY FACILITIES DISTRICT — Largest Taxpayers."

In addition to Annexation No. 1, there is a possibility of future annexation of property into the District, although no annexations are underway or planned at this time. See "THE COMMUNITY FACILITIES DISTRICT — General Description; Potential Annexations" herein.

According to the Riverside County Assessor's Office Certified Roll for Fiscal Year 2018-19, the assessed value of the property within the District classified as Developed Property for the Fiscal Year 2018-19 Special Tax levy was $380,517,229 resulting in an estimated assessed value-to-lien ratio of 9.76*-to-1 for property projected to be classified as Developed Property in Fiscal Year 2019-20 based on the principal amount of the 2013 Bonds and the 2018 Bonds (allocated to each parcel of Developed Property within the District based on the proportion of the Projected Fiscal Year 2019-20 Special Taxes on such parcels) and other overlapping land-secured debt on such property. See "THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios" herein. Additionally, the Fiscal Year 2018-19 assessed value of all the taxable property within the District was $436,608,319 resulting in an estimated assessed value-to-lien ratio of 9.33-to-1* for all the taxable property within the District based on the principal amount of the 2013 Bonds

* *Preliminary, subject to change.*

and the 2018 Bonds and other overlapping land-secured debt. See "THE COMMUNITY FACILITIES DISTRICT — Estimated Assessed Value-to-Lien Ratios" herein.

Security and Sources of Payment for the Bonds

General. The 2018 Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the 2018 Bonds are payable solely from Net Special Tax Revenues (described below) to be levied annually against the property in the District, and other amounts on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund. The 2018 Bonds are secured on a parity with the District's outstanding 2013 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 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 District has pledged to repay the 2018 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 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 2018 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 2018 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 2018 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The 2018 Bonds are payable on a parity with the 2013 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 District may issue, and the District anticipates issuing, additional bonds secured by the Net Special Tax Revenues of the District on a parity with the 2013 Bonds and the 2018 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 District will covenant in the Indenture with and for the benefit of the Owners of the 2018 Bonds and any additional bonds issued pursuant to the Indenture that the 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 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 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 BONDS — Proceeds of Foreclosure Sales."

There is no assurance that the property within the District can be sold for the assessed values described herein, or for a price sufficient to pay the principal of and interest on the 2018 Bonds in the event of a default in payment of Special Taxes by the current or future landowners within the 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 2018 BONDS. THE 2018 BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY BUT ARE SPECIAL OBLIGATIONS OF THE 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 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 2018 BONDS.

Under the terms of the Indenture, under certain conditions the District may issue Additional Bonds secured by the Net Special Tax Revenues of the District on a parity with the 2013 Bonds and the 2018 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds."

Description of the 2018 Bonds

The 2018 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 2018 Bonds (the "Beneficial Owners") in the denominations of $5,000 and integral multiples 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 2018 Bonds. In the event that the book-entry only system described herein is no longer used with respect to the 2018 Bonds, the 2018 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 2018 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 2018 Bonds, the Beneficial Owners will become the registered owners of the 2018 Bonds and will be paid principal and interest by the Trustee, all as described herein. See Appendix F — "BOOK-ENTRY AND DTC" herein.

The 2018 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 2018 Bonds and the basic documentation pursuant to which they are being sold and delivered, see "THE 2018 BONDS" and Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee under the Indenture (as defined herein). Stifel, Nicolaus & Company, Incorporated, is the Underwriter of the Bonds. Certain proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel and Disclosure Counsel. See Appendix E — "FORM OF OPINION OF BOND COUNSEL." Fieldman, Rolapp & Associates is acting as Municipal Advisor to the County in connection with the 2018 Bonds. Certain legal matters will be passed upon for the County and the District by County Counsel, and for the Underwriter by Nixon Peabody LLP, as Underwriter's Counsel. Other professional services have been performed by Webb Municipal Finance LLC, 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 2018 Bonds, see "LEGAL MATTERS — Financial Interests" herein.

Continuing Disclosure

The District will enter into a Continuing Disclosure Agreement, dated as of December 1, 2018, with the Trustee (the "Continuing Disclosure Agreement") pursuant to which the District will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system certain annual financial information and operating data. The 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 District and notices of listed events to be provided by the District. Within the last five years, the District has not failed to comply in all material respects with any of its prior continuing disclosure obligations under Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

Bond Owners' Risks

Certain events could affect the timely repayment of the principal of and interest on the 2018 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 2018 Bonds. The 2018 Bonds are not rated by any nationally recognized rating agency. ***The purchase of the 2018 Bonds involves significant investment risks, and the 2018 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 2018 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 2018 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 District, are qualified in their entirety by references to such documents, laws and proceedings, and with respect to the 2018 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 W. Fifth Street, 24th Floor, Los Angeles, CA 90071, Attention: Ashraf Almurdaah.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the 2018 Bonds will be deposited into the following respective accounts and funds established by the District under the Indenture, as follows:

Sources:	
Principal Amount of Bonds	$
Plus/Less Net Original Issue Premium/Discount	
Total Sources	$
Uses:	
Deposit into Reserve Fund(1)	$
Deposit into Costs of Issuance Fund(2)	
Deposit into Improvement Fund	
Underwriter's Discount	
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 2018 Bonds.

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, Trustee, Special Tax Consultant and Municipal Advisor and the cost of printing the preliminary and final Official Statements.

THE 2018 BONDS

Authority for Issuance

The 2018 Bonds will be issued pursuant to the Act, the Indenture and the Resolution Authorizing Issuance of the 2018 Bonds adopted by the Board of Supervisors of the County of Riverside, acting as the legislative body of the District (the "Legislative Body"), on November 6, 2018, as Resolution No. 2018-__.

As required by the Act, the Legislative Body has taken the following actions with respect to establishing the District and authorizing issuance of the 2018 Bonds:

Resolutions of Intention: On February 28, 2006, the Board of Supervisors adopted Resolution No. 2006-072 stating its intention to establish the District and to authorize the levy of a special tax therein pursuant to the Rate and Method. On February 28, 2006, the Board of Supervisors adopted Resolution No. 2006-073 stating its intention to incur bonded indebtedness in an amount not to exceed $100,000,000 with respect to the District. The 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."

Resolution of Formation: Following a noticed public hearing on April 4, 2006, the Board of Supervisors adopted Resolution No. 2006-092 (the "Resolution of Formation"), establishing the District and authorizing the levy of a special tax within the District pursuant to the Rate and Method. Resolution No. 2006-092 also called an election for the purpose of submitting the propositions to incur bonded indebtedness, to levy a special tax within the District and to establish an appropriations limit for the District to the qualified electors of the District.

Resolution of Necessity: On April 4, 2006, the Board of Supervisors, acting as the Legislative Body of the District, adopted Resolution No. CFD 2006-02 deeming it necessary to incur bonded indebtedness in an amount not to exceed $100,000,000 within the District.

Landowner Election and Declaration of Results: On April 18, 2006, a special election was held within the 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 $100,000,000, to levy a special tax within the District and to establish an appropriations limit for the District.

On April 25, 2006, the Legislative Body adopted Resolution No. CFD 2006-03 declaring the results of the special election.

Ordinance Levying Special Taxes: On May 2, 2006, the Board of Supervisors adopted Ordinance No. 852 (the "Ordinance") authorizing the levy of the Special Tax within the District.

Special Tax Lien and Levy: A Notice of Special Tax Lien for the District was recorded in the real property records of the County on May 4, 2006, as Document No. 2006-0323346.

General Provisions

The 2018 Bonds will be dated their date of delivery and will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on each March 1 and September 1, commencing on March 1, 2019 (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 2018 Bonds will be issued in fully registered form in denominations of $5,000 and integral multiples thereof. So long as the 2018 Bonds are held in book-entry form, principal and interest on the 2018 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 2018 Bond will be payable from the Interest Payment Date next preceding the date of authentication of that 2018 Bond, unless (i) a 2018 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 2018 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 2018 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 2018 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 2018 Bonds, which written request is received by the Trustee on or prior to the preceding Record Date.

The principal of the 2018 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 2018 Bonds are payable on a parity with the 2013 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 District may issue, and the District anticipates issuing, additional bonds secured by the Net Special Tax Revenues of the District on a parity with the 2013 Bonds and the 2018 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds."

Debt Service Schedule

The following table presents the annualized debt service on the 2018 Bonds and the 2013 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 Bonds on any Interest Payment Date from the proceeds of any prepayments of Special Taxes. Additionally, the 2018 Bonds are subject to optional redemption as described herein. See "THE 2018 BONDS — Redemption."

Bond Year Ending September 1	*2018 Bonds Principal*	*2018 Bonds Interest*	*Total 2018 Bonds Annual Debt Service*	*Total 2013 Bonds Annual Debt Service*	*Total Annual Debt Service*(1)
2019	$	$	$	$	$
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
Total	$	$	$	$	$

(1) Equal to the sum of the amounts under the columns "Total 2018 Bonds Annual Debt Service" and "Total 2013 Bonds Annual Debt Service."
Source: Underwriter.

Redemption

Optional Redemption.* The 2018 Bonds may be redeemed, at the option of the District, from any source of funds, other than prepayments of Special Taxes, on any Interest Payment Date on or after March 1, 2019, in whole, or in part in Authorized Denominations (in such amounts and maturities as may be designated by the District, with the particular Bonds of such maturities to be selected by the Trustee by lot), at the following redemption prices expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date of redemption:

* *Preliminary, subject to change.*

Redemption Dates	Redemption Prices
March 1, 2019 through September 1, 20__	103%
March 1, 20__ and September 1, 20__	102
March 1, 20__ and September 1, 20__	101
March 1, 20__ and any Interest Payment Date thereafter	100

Mandatory Sinking Fund Redemption.* The 2018 Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the sinking fund payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of sinking fund payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Redemption Dates (September 1)	Principal Amount
	$
(maturity)	

The 2018 Bonds maturing on September 1, 20__ shall be called before maturity and redeemed, from the sinking fund payments that have been deposited into the Principal Account, on September 1, 20__, and on each September 1 thereafter prior to maturity, in accordance with the schedule of sinking fund payments set forth below. The 20__ Term Bonds so called for redemption shall be selected by the Trustee by lot and shall be redeemed at a redemption price for each redeemed Term Bond equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, as follows:

Redemption Dates (September 1)	Principal Amount
	$
(maturity)	

If the District purchases Term Bonds and delivers them to the Trustee at least 45 days prior to an applicable redemption date, the principal amount of the Term Bonds so purchased shall be credited to reduce the sinking fund payment due on such redemption date for the applicable maturity of the Term Bonds. All Term Bonds purchased by the District and delivered to the Trustee shall be cancelled pursuant to the Indenture.

In the event of a partial optional redemption or special mandatory redemption of Term Bonds, each of the remaining sinking fund payments for such Term Bonds, as described above, will be reduced, as nearly as practicable, on a pro rata basis.

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* *Preliminary, subject to change.*

Mandatory Redemption from Special Tax Prepayments.* The 2018 Bonds are subject to redemption as a whole, or in part on a pro rata basis among maturities, on any Interest Payment Date on and after March 1, 2019 from the proceeds of the prepayment of the Special Taxes deposited in the Redemption Fund pursuant to the Indenture and amounts transferred from the Reserve Fund in connection with such prepayment. Such extraordinary mandatory redemption of the 2018 Bonds shall be at the following redemption prices (expressed as percentages of the principal amount of the 2018 Bonds to be redeemed), together with accrued interest thereon to the date of redemption:

Redemption Dates	***Redemption Prices***
March 1, 2019 through September 1, 20__	103%
March 1, 20__ and September 1, 20__	102
March 1, 20__ and September 1, 20__	101
March 1, 20__ and any Interest Payment Date thereafter	100

Mandatory redemption of Bonds from Special Tax prepayments may result in the reduction in the otherwise expected yield on such Bonds if the Bonds were purchased at a price greater than par. See "SPECIAL RISK FACTORS — Potential Early Redemption of Bonds from Special Tax Prepayments."

Notice of Redemption. So long as the 2018 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 2018 Bonds and the registered Owners of the 2018 Bonds at the addresses appearing on the Bond registration books. The notice of redemption must: (i) specify the CUSIP numbers (if any), the bond numbers and the maturity date or dates of the 2018 Bonds selected for redemption; (ii) state the date fixed for redemption and surrender of the 2018 Bonds to be redeemed; (iii) state the redemption price; (iv) state the place or places where the 2018 Bonds are to be redeemed; (v) state the date of the notice; (vi) state that interest on the 2018 Bonds selected for redemption will not accrue from and after the date fixed for redemption; and (vii) state any other descriptive information needed to identify accurately the 2018 Bonds being redeemed as shall be specified by the Trustee.

So long as notice by first class mail has been provided as set forth above, the actual receipt by the Owner of any 2018 Bond of notice of such redemption is not a condition precedent to 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 2018 Bonds or the cessation of interest on the date fixed for redemption.

With respect to any notice of any optional redemption of 2018 Bonds, unless at the time such notice is given the 2018 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 2018 Bonds on the date fixed for redemption (the "Redemption Price"), and accrued interest on, the 2018 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 District shall not be required to redeem such 2018 Bonds. In the event a notice of redemption of 2018 Bonds contains such a condition and such moneys are not so received, the redemption of 2018 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 2018 Bonds pursuant to such notice of redemption.

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* *Preliminary, subject to change.*

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 2018 Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Trustee, said 2018 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 2018 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 2018 Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of 2018 Bonds shall be held in trust for the account of the Owners of the 2018 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 2018 Bonds. The ownership of the 2018 Bonds will be established by the bond registration books held by the Trustee.

Transfer or Exchange. Whenever any 2018 Bond is surrendered for registration of transfer or exchange, the District shall execute and Trustee will authenticate and deliver a new 2018 Bond or 2018 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) 2018 Bonds for a period of 15 days next preceding the date of any selection of the 2018 Bonds to be redeemed, or (ii) any 2018 Bonds chosen for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Covenants and Warranties

The District will covenant in the Indenture to comply with the covenants and warranties therein, which will be in full force and effect upon the issuance of the 2018 Bonds. See Appendix C — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants."

Limited Obligations

The 2018 Bonds are limited obligations of the District, and the interest on and principal of and redemption premiums, if any, on the 2018 Bonds are payable on a parity with the 2013 Bonds from Net Special Tax Revenues (described below) to be levied annually against the property in the District, and other amounts on deposit in the Special Tax Fund, the Bond Fund and the Reserve Fund.

Under the Indenture, the District has pledged to repay the 2018 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 District, including any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes, and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes and any proceeds of any security for payment of Special Taxes taken in lieu of foreclosure after payment of administrative costs and attorneys' fees payable from proceeds of such redemption, sale or security.

The Net Special Tax Revenues are the primary security for the repayment of the 2018 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 2018 Bonds are amounts held by the Trustee in the Special Tax Fund, the Bond Fund and the Reserve Fund. Amounts held in the Rebate Fund and the Administrative Expense Fund are not available to pay the debt service on the 2018 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 2018 BONDS. THE 2018 BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY BUT ARE SPECIAL OBLIGATIONS OF THE 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 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 2018 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 County 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 receipt of Special Taxes will, in fact, be collected in sufficient amounts in any given year to pay debt service on the Bonds.

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

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2018 BONDS. EXCEPT FOR THE NET SPECIAL TAX REVENUES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE 2018 BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE COUNTY NOR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM NET SPECIAL TAX REVENUES AND AMOUNTS HELD UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN.

Rate and Method

General. On April 4, 2006, the Board of Supervisors established the District. The 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 — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) 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 District approved the Rate and Method at an election held on April 18, 2006.

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 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 2049-50 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 any 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 of Facilities, provided such amount does not cause an increase in the Special Tax levy on Approved Property, Undeveloped Property, Taxable Property Owners' Association Property, Taxable Public Property or Taxable Non-Residential 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 any series of the Bonds, the Special Tax shall be levied on each Parcel of Developed Property for which a Building Permit has been issued at 100% of the applicable Assigned Special Tax to be applied to the Cost of the Facilities. Subsequent to the issue of the first series 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 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 levied on each Parcel of Approved Property and Developed Property shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each 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 Taxable Non-Residential Property 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 Taxable Property Owners' Association Property at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Seventh: If additional moneys are needed to satisfy the Special Tax Requirement after the first six steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public 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 Residential Property be increased by more than 10% per Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the District. However, the District is currently levying Special Taxes at the Assigned Special Tax rate on Developed Property and expects to continue to do so until the final series of Additional Bonds is issued, so any increase in Special Taxes would be levied on Approved Property and/or Undeveloped Property.

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

(i) "Approved Property" means, for each Fiscal Year, for which a Special Tax is being levied, all Parcels of Taxable Property not classified as Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property: (i) that are included in a Final Map that was recorded prior to the January 1 preceding said Fiscal Year and (ii) that have not been issued a Building Permit prior to the April 1 preceding said Fiscal Year. Any Final Map recorded prior to July 1, 2006 shall be treated for the purposes of setting the Assigned Special Tax for such Approved Property as if it were subject to the Transportation Uniform Mitigation Fee ("TUMF") in effect as of July 1, 2006.

Certain projects that are to be constructed as condominiums may record a final map for the entire project followed by a series of condominium plan maps dividing the project into multiple phases. In those cases, the District intends to treat these individual phases as Approved Property and/or Developed Property, as applicable, as and when the condominium plan maps are recorded for the individual phases. All portions of the project not encumbered by a condominium plan map are expected to remain as Undeveloped Property.

(ii) "Developed Property" means, for each Fiscal Year after formation of the District for which the Special Tax is being levied, each Parcel of Taxable Property not classified as Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property: (i) that is included in a Final Map that was recorded prior to January 1 preceding said Fiscal Year and (ii) a Building Permit has been issued for a Single Family Residential Unit or a Multifamily Residential Unit on such Parcel prior to April 1 preceding said Fiscal Year. Parcels upon which a model unit has been constructed will be treated as Developed Property when any other Parcel within said Final Map is issued a Building Permit.

(iii) "Exempt Property" means, for each Fiscal Year any Parcel which is exempt from Special Taxes pursuant to the Rate and Method or non-taxable pursuant to the Rate and Method.

(iv) "Multifamily Property" means, for each Fiscal Year, a Parcel designated to be developed with one or more Multifamily Residential Units as determined by the Administrator consistent with the TUMF Ordinance in effect on the date such determination is made; provided, however, that once a Parcel is categorized as Approved Property with a Land Use Category as Multifamily Property, said Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition of Multifamily Residential Unit.

(v) "Single Family Property" means, for each Fiscal Year, a Parcel designated to be developed with one or more Single Family Residential Units as determined by the Administrator; provided, however, that once a Parcel is categorized as Approved Property, said Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition of Single Family Residential Unit.

(vi) "Taxable Non-Residential Property" means, for each Fiscal Year, any Parcel of Non-Residential Property which is not Exempt Property pursuant to the Rate and Method or non-taxable pursuant to the Rate and Method.

(vii) "Taxable Property Owners' Association Property" means, for each Fiscal Year, any Parcel of Property Owners' Association Property which is not Exempt Property pursuant to the Rate and Method or non-taxable pursuant to the Rate and Method.

(viii) "Taxable Public Property" means, for each Fiscal Year, any Parcel of Public Property which is not Exempt Property pursuant to the Rate and Method or non-taxable pursuant to the Rate and Method.

(ix) "Undeveloped Property" means, for each Fiscal Year, all Taxable Property including residentially zoned property which has not become Approved Property or Developed Property, excluding Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property which has not become Approved Property or Developed Property and which is not Exempt Property pursuant to the Rate and Method or non-taxable 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, Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property is $3,479.37 per Acre for Fiscal Year 2018-19. This rate increases by 2% each July 1, commencing July 1, 2006.

(ii) The Maximum Special Tax for each Parcel of Approved Property or Developed Property is determined by the date on which the Parcel became Approved Property or Developed Property and is the greater of the Assigned Special Tax or the amount derived by application of the Backup Special Tax.

The Assigned Special Tax for any parcel is calculated as a percentage of the applicable TUMF in effect when a Final Map is first recorded for such parcel and again after a building permit is issued for any parcel within such Final Map. For the Parcels which were classified as Single Family Property Developed Property for Fiscal Year 2018-19, the Assigned Special Tax ranged from $575.93 to $1,389.12, and for Parcels which were classified as Multifamily Property Developed Property for Fiscal Year 2018-19, the Assigned Special Tax was $971.66 per multifamily unit. The Assigned Special Tax applicable to units of Approved Property in the District will depend on the amount of the TUMF at the time that a Final Map is first recorded for such parcel.

Once a Parcel is Approved Property, the Assigned Special Tax for each Parcel to be developed as Single Family Property, as shown on the Final Map, is the product of the TUMF for a Single Family Residential Unit in effect on the July 1st preceding the recordation date of the Final Map multiplied by the Special Tax Factor of 11.3%. The Assigned Special Tax for each Parcel that is to be developed as Multifamily Property is the product of the TUMF for a Multifamily Residential Unit in effect on the July 1st preceding the recordation date of the Final Map multiplied by the number of proposed dwelling units as shown on the Final Map or as determined by the Administrator, multiplied by the Special Tax Factor of 11.3%.

Once a Parcel within a Final Map of Taxable Property is Developed Property, the Assigned Special Tax as Developed Property for each Parcel within the Final Map to be developed as Single Family Property, as shown on the Final Map is established as the greater of (a) the product of the TUMF for a Single Family Residential Unit in effect on the July 1st preceding the date the first Building Permit is issued for a Parcel of Single Family Property within that Final Map multiplied by the Special Tax Factor of 11.3% or (b) the Assigned Special Tax in effect for such Parcels as Approved Property increased by 2.00% per Fiscal Year since the Parcel became Approved Property. Once a Parcel within a Final Map of Taxable Property is Developed Property, the Assigned Special Tax as Developed Property for each Parcel within the Final Map to be developed as Multifamily Property, as determined by the Administrator, is the greater of (a) the product of the TUMF for a Multifamily Residential Unit in effect on the July 1st preceding the date the first Building Permit is issued for a Parcel of Multifamily Property within that Final Map multiplied by the number of dwelling units in the Building Permit for said Parcel, as determined by the Administrator, multiplied by the Special Tax Factor of 11.3% or (b) the Assigned Special Tax in effect for such Parcel as Approved Property increased by 2.00% per Fiscal Year since the Parcel became Approved Property. The Special Tax established for Developed Property within a Final Map shall be applied to an individual parcel within said Final Map only after a Building Permit has been issued for such parcel.

On July 1st of each Fiscal Year, commencing July 1, 2007, after a parcel is determined to be Developed Property, the Assigned Special Tax for a Parcel of Developed Property will increase by an amount equal to 2.00% of the Assigned Special Tax as Developed Property in effect for such Parcel of Developed Property as of July 1st of the prior Fiscal Year.

The Backup Special Tax is the Assigned Special Tax for such Parcel provided that if the number of Parcels in a specific Final Map is subsequently changed or modified, then the Backup Special Tax will be recalculated for the Parcels within the changed or modified area such that the modified Backup Special Tax for each Parcel within such changed area shall equal the aggregate Backup Special Tax within the changed area prior to the change or modification of such Final Map.

TUMF Percentage Change means the percentage increase in the respective TUMF applicable to a Single Family Residential Unit or a Multifamily Residential Unit, as of July 1st of the prior calendar year to July 1st of the current calendar year, beginning with the increase from the respective TUMF in effect as of July 1, 2005 to the TUMF in effect as of July 1, 2006.

Prepayment of Special Taxes. The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property or Public Property, Property Owners' Association Property and/or Non-residential Property that is not Exempt Property. 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 — "RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) 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 County's obligation to foreclose on Special Tax liens upon delinquencies.

Coverage and Source of Annual Debt Service

Annual debt service on the 2013 Bonds and the 2018 Bonds is payable from Net Special Tax Revenues levied and collected on property categorized as Taxable Property in the District in each Fiscal Year. Based on the development status within the District as of June 1, 2018, assuming no delinquencies, the Special Taxes that may be levied within the District on Developed Property are at least 110% of maximum annual debt service on the 2013 Bonds and the 2018 Bonds plus estimated Administrative Expenses in each of the years the 2013 Bonds and the 2018 Bonds are outstanding. However, pursuant to Section 53321(d) of the California Government Code, Special Taxes levied on any parcel of property used for private residential purposes in the District may not be increased by more than 10% in any fiscal year as a consequence of delinquency or default by the owner of any other parcel within the District. As a result, it is possible that the 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 2013 Bonds and the 2018 Bonds plus estimated Administrative Expenses may be derived from Approved Property and Undeveloped Property. The District is currently levying Special Taxes at the Assigned Special Tax rate on Developed Property and expects to continue to do so until the final series of Additional Bonds is issued, so any increase in Special Taxes would be levied on Approved Property and/or Undeveloped Property. Moreover, the coverage from Maximum Special Taxes from all Taxable Property, including Developed, 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 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 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 District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the District will covenant in the Indenture with and for the benefit of the Owners of the 2018 Bonds that the 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 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 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 2018 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 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 District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the 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 2018 Bond owners pending prosecution of foreclosure proceedings and receipt by the 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 District), the 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 District has reserved to itself the right to adopt a policy permitting the tender of Bonds or Additional Bonds in full payment or partial payment of any Special Taxes, provided that the District shall have first received a certificate from an Independent Financial Consultant that the acceptance of such a tender will not result in the District having insufficient Special Tax revenues to pay the principal of and interest on the 2018 Bonds and Additional Bonds when due and to pay estimated Administrative Expenses when due.

Special Tax Fund

The Trustee shall establish and maintain a separate fund designated the "Special Tax Fund." As soon as practicable after the receipt by the District of any Special Tax Revenues, the 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 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 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 District and shall be deposited by the Trustee in the Bond Fund.

Disbursements. Upon receipt of a Written Request of the 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 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 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 2018 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). Reserve Requirement is defined in the Indenture to mean, as of any 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 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 District.

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

Additional Bonds

The District may at any time after the issuance and delivery of the 2018 Bonds issue Additional Bonds in an aggregate amount not to exceed \$77,320,000* payable from Net Special Tax Revenues secured by a lien and charge upon such amounts equal to the lien and charge securing the Outstanding 2013 Bonds and the Outstanding 2018 Bonds and any other Additional Bonds previously issued under the Indenture. Additional Bonds may be issued for the purpose of funding additional Facilities costs, for the purpose of refunding all or a portion of the 2013 Bonds, the 2018 Bonds or any Additional Bonds then Outstanding, for providing funds to pay costs of issuance incurred in connection with the issuance of such Additional Bonds, and providing funds to make any deposit to the Reserve Fund required under the Indenture in connection with the issuance of such Additional Bonds. The issuance of Additional Bonds to fund additional Facilities Costs will require an increase in the amount of Special Taxes levied annually, which could result in the need to levy Special Taxes on Approved Property or 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 2018 Bonds and Additional Bonds plus Administrative Expenses. See "— Coverage and Source of Annual Debt Service" above and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality."

The Indenture provides that Additional Bonds may only be issued subject to certain conditions precedent, including but not limited to the 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 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.

* *Preliminary, subject to change.*

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 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 District or the County, (c) does not have any substantial interest, direct or indirect, with or in the District or the County, or any owner of real property in the District, or any real property in the District, and (d) is not connected with the District or the County as an officer or employee thereof, but who may be regularly retained to make reports to the 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 District and having an "MAI" designation from the Appraisal Institute.

THE COMMUNITY FACILITIES DISTRICT

General Description; Potential Annexations

The District consists of a number of noncontiguous properties located in part in the newly incorporated City of Menifee and in part in an unincorporated portion of the County 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 District is located on both the east and west sides of Interstate 215 which is a major freeway connecting the cities of Riverside and San Diego.

The District is comprised of approximately 1,344 gross acres which are expected to be developed into approximately 758 residential acres, approximately 295 acres of street areas, approximately 229 acres of open space and drainage, approximately 49 acres of park space and approximately 13 acres of detention basins. The District may also contain a school of approximately 12 acres. Based on existing zoning and land use entitlements approved by or being processed by the County, the County estimates that the land within the District has a potential build out of approximately 4,963 residential units consisting of 3,174 single family detached units and 1,789 attached units.

For the Fiscal Year 2018-19 Special Tax levy, there were 1,028 parcels within the District classified as Developed Property which were levied at the Assigned Special Tax rates under the Rate and Method in the aggregate amount of $1,512,420.25. As of June 1, 2018, within the District there are 969 completed single family attached and detached residential units which have been completed and conveyed to individual homeowners, 99 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units, and one completed multi-family apartment complex. All of such units will be classified as Developed Property under the Rate and Method for the Fiscal Year 2019-20 and are expected to be levied at the Assigned Special Tax rates.

Special Taxes from Developed Property are expected to be at least 110% of maximum annual debt service on the 2013 Bonds and the 2018 Bonds plus administrative expenses of the District. However, Additional Bonds may be issued under certain conditions on a parity with the 2013 Bonds and the 2018 Bonds which could cause the 2013 Bonds and the 2018 Bonds to be expected to be payable from Special Taxes on Approved Property and Undeveloped Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds" herein.

Additionally, as of June 1, 2018, within the District there are projected to be 724 parcels of Approved Property and 655.46 acres of Undeveloped Property for Fiscal Year 2019-20. Such parcels are not expected to be levied by the District until such parcels become Developed Property under the Rate and Method or Additional Bonds are issued. See "THE COMMUNITY FACILITIES DISTRICT" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds" and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality" herein.

At the time of formation of the District, an annexation area was identified, in which property owners may submit a written consent for annexation to the District. Owners of the properties within the annexation area are required by the County to annex to the District as a condition of getting an approved final map. Upon receipt of a consent to annexation, the Board of Supervisors of the County, acting ex-officio as the Legislative Body of the District, may call a special election to authorize the imposition of the Special Tax on such property. The boundaries of the territory within which any property may annex to the District are more particularly described and shown on that certain map (the "Annexation Map") entitled "Boundaries — Potential Annexation Area Community Facilities District No. 05-8 (Scott Road) of the County of Riverside, State of California," a copy of which is attached hereto as Appendix G. It is anticipated that additional properties located in unincorporated portions of the District may annex to the District as such properties reach a development stage where such property would be categorized as Developed Property and/or Approved Property; however, no annexations are currently planned. The remaining annexable area within the District, which constitutes the portion of the District within unincorporated County jurisdiction, totals 3,625.1 gross acres.

One such annexation was previously completed. During Fiscal Year 2007-08, four parcels consisting of approximately 12.41 acres within Final Tract Map No. 12598 were annexed into the District ("Annexation No. 1"). The Annexation No. 1 parcels are owned by Cantabria Development, as successor-in-interest to Fairfield Holland Road LLC ("Fairfield Holland"). Fairfield Holland developed the property within Annexation No. 1 into 230 multi-family apartments. Cantabria Development is the largest taxpayer in the District in Fiscal Year 2018-19, responsible for approximately 14.35% of the Fiscal Year projected 2019-20 Special Tax levy. See "THE COMMUNITY FACILITIES DISTRICT — Largest Taxpayers."

If land within the District is included within the boundaries of an incorporated city, the County will no longer be responsible for land use approvals and would no longer be able to require annexation with respect to such property into the District. Certain annexation areas of the District are now within the boundaries of the City of Menifee, which incorporated in 2008. Such areas will not be annexed into the District. Other annexation areas remain in unincorporated areas of the County. See Appendix G — "BOUNDARIES — POTENTIAL ANNEXATION AREA" for the boundaries of the area which is currently annexable into the District.

Utility services for parcels in the 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 2013 Bonds, the 2018 Bonds and Additional Bonds may be used to finance the Facilities as authorized at the April 18, 2006, election within the District which include: (i) the widening of Scott Road between Antelope Road and Briggs Road to four lanes, (ii) the widening of the interchange at Interstate 215 and Scott Road and the modification of the ramps to meet future traffic demands including all associated appurtenances and any rights-of-way, (iii) the full width improvement to Scott Road from Antelope Road to Highway 79 including all associated appurtenances and any rights-of-way, and (iv) other road facilities and appurtenances authorized under the County's Transportation Uniform Mitigation Fee program, as amended from time to time. 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.

The 2013 Bonds were issued to refund outstanding 2008 Bonds and to provide additional financing for the Scott Road/Interstate 215 interchange. The 2018 Bonds are being issued to provide additional financing for the Scott Road/Interstate 215 interchange. In total, the County has secured financing for approximately $30 million of the estimated cost of the Scott Road/Interstate 215 interchange, and the County estimates that an additional financing of $10 million will be required to complete the current phase of the Scott Road/Interstate 215 interchange. The County is continuing to work to secure the additional moneys necessary to complete the remaining phase of the Scott Road/Interstate 215 interchange, and will not be able to complete that phase until such additional financing is obtained. The County has no immediate plans to issue any Additional Bonds; however, one or more additional series of Additional Bonds is expected to be issued in the future to finance street and highway improvements once additional development within the District warrants the issuance of Additional Bonds. The timing, amount and number of series of Additional Bonds issued may change depending on a variety of factors, including the pace of development in the District and surrounding areas. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Additional Bonds" and "SPECIAL RISK FACTORS — Effect of Additional Bonds on Credit Quality."

Land Use Status and Approvals

The General Plan for the County of Riverside, adopted by the Board of Supervisors on December 8, 2015, divides the County into 19 Community Plan Areas. The District is located in the Sun City / Menifee Valley Area Plan Area. The Comprehensive General Plan establishes foundation components (Community Development, Rural, Rural Community, Agricultural and Multipurpose Open Space). The District is within the Community Development component.

The land uses designated for the 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, 2018, final tract maps had been recorded for seventeen tracts within twelve separate projects within the District totaling 409.28 acres upon which approximately 2,024 residential units are proposed to be built. As of that date, there were 1,028 parcels classified as Developed Property within the District which were which were levied at the Assigned Special Tax rates under the Rate and Method for Fiscal Year 2018-19. As of June 1, 2018, within the District there are 969 completed single family attached and detached residential units which have been completed and conveyed to individual homeowners, 99 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units, and one completed multi-family apartment complex. All of such units will be classified as Developed Property under the Rate and Method for the Fiscal Year 2019-20 and are expected to be levied at the Assigned Special Tax rates.

There are approximately 655.46 acres of Undeveloped Property within the District. A number of the landowners are not proceeding with development in the District at this time, and the District cannot predict when or if development of such Undeveloped Property will occur. See "SPECIAL RISK FACTORS — Failure to Develop Properties."

Transportation Uniform Mitigation Fee. The projects in the District are required to pay many fees as a condition to develop. In 2003, the County and the various cities in the western region of the County adopted a new transportation fee for development, known as the Transportation Uniform Mitigation Fee ("TUMF"), which varies periodically. The latest adjustment to the TUMF became effective February 3, 2018, which will initially add approximately \$8,873 to every new single-family residential unit and approximately \$6,134 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 transportation fee. New retail, service and industrial development will also be charged the transportation fee based on the square footage of new development (\$7.50 per square foot for retail, \$4.56 per square foot for service and \$1.77 per square foot for industrial). Additionally, the single-family residential unit category has a 3-year phase-in period, which will adjust to \$9,146 effective July 1, 2019; then to \$9,418 effective July 1, 2020. All other TUMF categories will remain the same during this period. Cities may opt out of the TUMF Program, 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 District. The landowners will receive partial credit against payment of the TUMF based on funding of Facilities by the District.

Environmental Approvals and Permits

As required by various California Environmental Quality Act ("CEQA") approvals, the development projects in the District are required to comply with certain mitigation measures. Certain sensitive plant and animal species, including burrowing owls, were observed within the 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.

The District cannot predict the likelihood of a listing of additional species affecting the development of the property in the 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 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 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 District. Table 1 below sets forth the existing authorized indebtedness payable from taxes and assessments that may be levied on the parcels of Developed Property within the District, prepared by Webb Municipal Finance LLC, and dated September 2, 2018 (the "Debt Report"). The Debt Report is included for general information purposes only. The 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 District. See "SPECIAL RISK FACTORS — Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property."

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

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

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE
DIRECT AND OVERLAPPING DEBT
AS OF SEPTEMBER 2, 2018

I. ASSESSED VALUE

Fiscal Year 2018-19 Assessed Value[1] — $ 436,608,319

II. LAND SECURED BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable	Parcels in CFD	Amount Applicable
EMWD CFD 2016-72 (Hidden Hills)	CFD	$ 0	$ 0	100.00%	397	$ 0
CFD 05-8 Scott Road	CFD	22,680,000	21,530,000[2]	100.00	1,827	21,530,000*
CFD 92-1 PERRIS UNION HS	CFD	40,000,000	34,040,000	7.36	993	2,504,972
MENIFEE USD 2005-2	CFD	4,740,000	3,855,000	100.00	178	3,855,000
MENIFEE USD 2006-2	CFD	3,480,000	3,270,000	100.00	131	3,270,000
MENIFEE USD 2006-3	CFD	2,040,000	1,615,000	100.00	114	1,615,000
MENIFEE USD 2006-4	CFD	2,495,000	2,495,000	100.00	77	2,495,000
EMWD AD 20	AD	11,665,000	3,835,000	18.20	195	697,833
EMWD CFD 2005-39 (MARSDEN)	CFD	2,695,000	2,140,000	100.00	127	2,140,000
EMWD CFD 2006-52 (NELSON)	CFD	1,690,000	1,260,000	100.00	105	1,260,000
TOTAL OUTSTANDING LAND SECURED BONDED DEBT[3]						$ 39,367,805*

Authorized and Unissued Direct and Overlapping Bonded Debt	Type	Authorized	Unissued	% Applicable	Parcels in CFD	Amount Applicable
EMWD CFD 2016-72 (Hidden Hills)	CFD	$ 4,000,000	$ 4,000,000	100.00%	397	$ 4,000,000
CFD 05-8 Scott Road	CFD	100,000,000	77,320,000	100.00	1,827	77,320,000*
CFD 92-1 PERRIS UNION HS	CFD	40,000,000	0	7.36	993	0
MENIFEE USD 2005-2	CFD	5,500,000	0[4]	100.00	178	0
MENIFEE USD 2006-2	CFD	8,000,000	4,520,000	100.00	131	4,520,000
MENIFEE USD 2006-3	CFD	6,000,000	0[4]	100.00	114	0
MENIFEE USD 2006-4	CFD	3,000,000	0[4]	100.00	77	0
EMWD AD 20	AD	17,000,000	0[4]	18.20	195	0
EMWD CFD 2005-39 (MARSDEN)	CFD	4,000,000	0[4]	100.00	127	0
EMWD CFD 2006-52 (NELSON)	CFD	2,400,000	0[4]	100.00	105	0
TOTAL UNISSUED LAND SECURED INDEBTEDNESS[3]						$ 88,840,000*

TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS — **$ 125,207,805***

III. GENERAL OBLIGATION BOND INDEBTEDNESS

Outstanding Direct and Overlapping Bonded Debt	Type	Issued	Outstanding	% Applicable[5]	Parcels in CFD	Amount Applicable
Menifee Union School B & I (0.06303%)	GO	$ 69,353,923	$ 58,207,655	4.30%	1,827	$ 2,503,790
Perris Union High School B & I (0.05243%)	GO	137,410,283	97,664,134	2.67	1,827	2,608,785
MT San Jacinto Comm (0.01320%)	GO	190,000,000	172,650,000	0.49	1,827	849,709
Metropolitan Water East (0.00350%)	GO	850,000,000	60,600,000	0.02	1,827	10,242
Eastern Muni Water Imp U-35 (0.01900%)	GO	9,000,000	7,497,000	9.55	1,711	715,931
Eastern Muni Water Imp U-36 (0.01900%)	GO	9,012,000	7,508,000	9.55	1,711	716,982
TOTAL OUTSTANDING GENERAL OBLIGATION BONDED DEBT						$ 7,405,439

Authorized and Unissued Direct and Overlapping Bonded Debt	Type	Authorized	Unissued	% Applicable	Parcels in CFD	Amount Applicable
Menifee Union School B & I (0.06303%)	GO	$ 180,960,000	$ 111,606,078	4.30%	1,827	$ 4,800,712
Perris Union High School B & I (0.05243%)	GO	215,420,000	78,009,717	2.67	1,827	2,083,780
MT San Jacinto Comm (0.01320%)	GO	295,000,000	105,000,000	0.49	1,827	516,765
Metropolitan Water East (0.00350%)	GO	850,000,000	0	0.02	1,827	0
Eastern Muni Water Imp U-35 (0.01900%)	GO	46,200,000	37,200,000	9.55	1,711	3,552,441
Eastern Muni Water Imp U-36 (0.01900%)	GO	19,700,000	10,688,000	9.55	1,711	1,020,658
TOTAL UNISSUED GENERAL OBLIGATION INDEBTEDNESS						$ 11,974,356

TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION INDEBTEDNESS — **$ 19,379,795**

TOTAL OF ALL OUTSTANDING DIRECT AND OVERLAPPING BONDED DEBT	**$ 46,773,244***
TOTAL OF ALL OUTSTANDING AND UNISSUED DIRECT AND OVERLAPPING INDEBTEDNESS	**$ 144,587,600***

IV. Ratios to 2018-19 Assessed Valuation

Outstanding Land Secured Bonded Debt	11.09:1
Total Outstanding Bonded Debt	9.33:1

* *Preliminary, subject to change.*

(1) Fiscal Year 2018-19 Assessed Valuation data includes value for parcels classified as Developed, Approved, and Undeveloped property as of January 1, 2018, Riverside County Assessor's Office. The owner of 63 lots within the District classified as Undeveloped Property as of June 1, 2018 has informed the District it intends to prepay the Special Tax obligation with respect to such lots. The aggregate Fiscal Year 2018-19 assessed value of such 63 lots is $1,621,179, which, if excluded, would lower the District's Fiscal Year 2018-19 assessed value to $434,987,140. See "— Estimated Assessed Value-to-Lien Ratios."

(2) Amount outstanding is equal to the outstanding 2013 Bonds and the projected principal amount of the 2018 Bonds.

(3) Additional bonded debt or available bond authorization may exist but is not shown because a tax was not levied for Fiscal Year 2018-19.

(4) The district has covenanted additional bonds will be issued for refunding purposes only.

(5) Percentage applicable determined by Fiscal Year 2018-19 Equalized Roll Assessed Value information.

Source: Webb Municipal Finance LLC.

Community Facilities Districts, Overlapping Assessments and Maintenance Community Facilities Districts. The District is within the 54-153 Tax Rate Area according to the Riverside County Tax Collector's office. The base tax rate for the District is 1.13425%, which includes miscellaneous assessments. For the Parcels which were classified as Single Family Property Developed Property for Fiscal Year 2018-19, the Assigned Special Tax ranged from $575.93 to $1,389.12, and for Parcels which were classified as Multifamily Developed Property for Fiscal Year 2018-19, the Assigned Special Tax was $971.66 per multifamily unit. The Assigned Special Tax applicable to units of Approved Property in the District will depend on the amount of the TUMF at the time that a Final Map is first recorded for such parcel. For the property currently categorized as Approved Property, the Assigned Special Taxes for Fiscal Year 2018-19 are the same as those for Single Family Developed Property and for Multifamily Developed Property, respectively. No Special Tax was levied on Approved Property or Undeveloped Property in Fiscal Year 2018-19. The Maximum Special Taxes for Fiscal Year 2018-19 are estimated at $3,479 per acre for Undeveloped Property, Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property. The foregoing rates are subject to increase as set forth in the Rate and Method.

The properties that are within other existing community facilities districts and assessment districts, as noted in Table 1 above, will have higher tax rates. Subsequent to the issuance of the 2018 Bonds, additional overlapping community facilities districts and/or assessment districts may be formed and may issue bonds, which would increase the total tax burden of any properties in the District included therein. See "SPECIAL RISK FACTORS—Burden of Parity Liens, Taxes and Other Special Assessments on the Taxable Property."

Expected Tax Burden

Table 2 below sets forth a sample property tax bill for certain parcels of Developed Property in the District. The taxes, assessments and charges set forth in Table 2 are based on a weighted average of such taxes, assessments and charges based on Fiscal Year 2018-19 overlapping taxes and assessments. Actual property tax bills will vary significantly from parcel to parcel depending on the home size and location. There are numerous overlapping local agencies within the boundaries of the District as shown in Table 1 herein. Based on the weighted average of the taxes, assessments and charges within the District, the weighted average total effective tax rate on homes owned by individuals within the District is approximately 2.18% of the assessed values from the Riverside County Assessor's Office Fiscal Year 2018-19 Certified Roll. The actual amounts charged may vary and may increase in future years. Based on the property tax information for Fiscal Year 2018-19 and Fiscal Year 2018-19 assessed values, the estimated total effective tax rate range for units in the District is approximately 1.68% of assessed value to approximately 2.59% of assessed value.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
FISCAL YEAR 2018-19 TAX OBLIGATION
FOR PARCELS OF DEVELOPED PROPERTY[(1)]

	TR 28206-1	*TR 28206-2*	*TR 30142*	*TR 30142-1*	*TR 30664*	*TR 30902*	*TR 31347*	*TR 31383*	*TR 31629*	*TR 31724*	*TR 31831*
Average Home Value[(2)]	$ 373,118	$ 314,519	$ 351,864	$ 337,467	$ 550,359	$ 326,517	$ 378,684	$ 358,904	$ 347,826	$ 346,899	$ 253,137
Ad Valorem Property Taxes:											
General Purpose (1.00000%)	$ 3,731	$ 3,145	$ 3,519	$ 3,375	$ 5,504	$ 3,265	$ 3,787	$ 3,589	$ 3,478	$ 3,469	$ 2,531
Menifee Union School B & I (0.06303%)	235	198	222	213	347	206	239	226	219	219	160
Perris Union High School B & I (0.05243%)	196	165	184	177	289	171	199	188	182	182	133
MT San Jacinto Comm (0.01320%)	49	42	46	45	73	43	50	47	46	46	33
Metropolitan Water East (0.00350%)	13	11	12	12	19	11	13	13	12	12	9
Eastern Muni Water Imp U-35 (0.01900%)	71	60	67	64		62	72	68	66	66	48
Eastern Muni Water Imp U-36 (0.01900%)	71	60	67	64		62	72	68	66	66	48
Total *Ad Valorem* Property Taxes	**$ 4,366**	**$ 3,680**	**$ 4,117**	**$ 3,949**	**$ 6,231**	**$ 3,821**	**$ 4,431**	**$ 4,200**	**$ 4,070**	**$ 4,059**	**$ 2,962**
Assessment, Special Taxes & Parcel Charges:											
CFD 05-8 Scott Road[(3)]	$ 1,384	$ 1,274	$ 1,107	$ 576	$ 1,384	$ 1,362	$ 1,389	$ 1,362	$ 1,362	$ 1,362	$ 1,384
CFD 2016-72 HIDDEN HILLS			340								
FLD CNTL STORMWATER/CLEANWATER	4	4	4	4	4	4	4	4	4	4	4
CSA #84							51				
CSA #152			69	69	69	66	45	45	45	45	45
PERRIS UNION HS CFD 92-1	299	299	299	299	299	299	299	299	299	299	299
MENIFEE USD CFD 2005-2								2,151			
MENIFEE USD CFD 2006-2	2,153	1,891									
MENIFEE USD CFD 2006-3									1,693		
MENIFEE USD CFD 2006-4					2,134		1,794				
MENIFEE CFD 2012-02			498	498							
AD MENIFEE LLMD 89-1-C ZN 63								68			
AD MENIFEE LLMD 89-1-C ZN 69										392	
AD MENIFEE LLMD 89-1-C ZN 81											408
AD MENIFEE LLMD 89-1-C ZN 114	20	20									
AD MENIFEE LLMD 89-1-C ZN 133			229	229							
AD MENIFEE CSA 84	49	49						50	50		
AD MENIFEE CSA 145					829	158				182	182
V-WIDE REGIONAL FAC LMD 88-1	6	6					6	6	6		
V-WIDE LMD MENIFEE SOUTH PARK	465	465					353	742	274		
MWD STANDBY EAST	7	7	7	7	7	7	7	7	7	7	7
EMWD STDBY-COMBINED CHARGE	25	25	25	25	25	25	25	25	25	25	25
EMWD AD 20	415	415									
EMWD CFD 2005-39										1,374	
EMWD CFD 2006-52						1,234					
Total Taxes and Assessments	**$ 4,825**	**$ 4,453**	**$ 2,576**	**$ 1,705**	**$ 4,750**	**$ 3,155**	**$ 3,972**	**$ 4,758**	**$ 3,763**	**$ 3,689**	**$ 2,354**
Average Total Property Tax	**$ 9,191**	**$ 8,133**	**$ 6,693**	**$ 5,654**	**$ 10,981**	**$ 6,976**	**$ 8,403**	**$ 8,958**	**$ 7,833**	**$ 7,749**	**$ 5,316**
Average Effective Tax Rate	**2.46%**	**2.59%**	**1.90%**	**1.68%**	**2.00%**	**2.14%**	**2.22%**	**2.50%**	**2.25%**	**2.23%**	**2.10%**

(1) Reflects average Fiscal Year 2018-19 effective tax rates based upon Fiscal Year 2018-19 overlapping taxes and assessment. Amounts are rounded to the nearest dollar.

(2) Average home value represents the average Fiscal Year 2018-19 total assessed value for parcels to be classified as Developed Property for Fiscal Year 2019-20 and which were assigned structure assessed value by the Riverside County Assessor.

(3) Reflects CFD 05-8 Average Projected Fiscal Year 2019-20 Special Tax Levy for parcels to be classified as Developed Property for Fiscal Year 2019-20.

Estimated Assessed Value-to-Lien Ratios

Table 3 sets forth the historical assessed value of Developed Property, Approved Property, Undeveloped Property and total assessed value for the current Fiscal Year and the previous nine Fiscal Years.

Tables 4 and 5 below set forth the estimated assessed value-to-lien ratios for various categories of property ownership within the District based upon ownership status as of September 2, 2018 and the assessed values included on the Fiscal Year 2018-19 Assessor's roll. The assessed value of the taxable parcels within the District for Fiscal Year 2018-19 is $436,608,319. The owner of 63 lots within the District classified as Undeveloped Property as of June 1, 2018 has informed the District it intends to prepay the Special Tax obligation with respect to such lots. The District intends to use such Special Tax prepayments to finance Authorized Facilities, not to redeem Bonds. The aggregate Fiscal Year 2018-19 assessed value of such 63 lots is $1,621,179, which, if excluded, would lower the District's Fiscal Year 2018-19 assessed value to $434,987,140.

Moreover, the Fiscal Year 2018-19 assessed value from property which will be classified as Developed Property for the Fiscal Year 2019-20 Special Tax levy based on development status as of June 1, 2019 is $380,517,229. The estimated assessed value-to-lien ratio of the Developed Property within the District based upon the principal amount of the 2013 Bonds, the 2018 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the District and the assessed values included on the 2018-19 Assessor's roll is 9.76-to-1* based on Developed Property only. 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 Tables 3 and 4 will be maintained during the period of time that the 2018 Bonds are outstanding. The 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 6 below sets forth the estimated value-to-lien ratios for parcels within the District by various ranges based upon the direct and overlapping debt information included in Table 1.

* *Preliminary, subject to change.*

TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
SUMMARY OF HISTORICAL ASSESSED VALUES
FISCAL YEAR 2009-10 THROUGH 2018-19

Fiscal Year	*No. of Developed Parcels*	*Assessed Value of Developed Parcels*	*No. of Approved Parcels*	*Assessed Value of Approved Parcels*	*Undeveloped Property Acres*	*Assessed Value of Undeveloped Property*	*Total Assessed Valuation*[(1)]	*Annual Percentage Change*
2009-10	412	$129,633,229	384	$23,991,858	1,013.55	$74,301,761	$227,926,848	N/A
2010-11	412	151,366,226	384	27,621,664	1,013.55	61,285,792	240,273,682	5.42%
2011-12	589	183,360,649	394	21,047,367	945.07	40,573,435	244,981,451	1.96
2012-13	707	207,710,543	276	17,729,839	944.69	40,130,080	265,570,462	8.40
2013-14	787	229,109,512	196	13,978,197	827.30	29,651,868	272,739,577	2.70
2014-15	908	276,328,483	471	21,995,261	827.30	30,800,335	329,124,079	20.67
2015-16	915	303,078,404	457	21,822,332	827,30	37,697,310	362,598,046	10.17
2016-17	945	323,173,897	427	19,491,918	827.30	38,340,787	381,006,602	5.08
2017-18	952	341,855,724	420	19,351,753	827.30	40,390,001	401,597,478	5.40
2018-19	1,028	378,681,258	765	28,554,256	655.46	29,372,805	436,608,319	8.72

(1) As of January 1 of each year as shown on the County Assessor's Rolls. Total Assessed Value is calculated as the sum of Land Assessed Value and Structure Assessed Value.
Source: The County and Webb Municipal Finance, LLC.

TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE
ESTIMATED VALUE-TO-LIEN RATIOS
FISCAL YEAR 2019-20 DEVELOPED PROPERTY OWNERSHIP BY CLASSIFICATION

Classification	*No. of Parcels*[1]	*Assessed Value*[2]	*% of Assessed Value*	*Projected Fiscal Year 2019-20 Levy*[3]	*% of Levy*	*2018 Bonds**	*2013 Bonds*	*Other Overlapping Debt*[4]*	*Total Outstanding Debt**	*Aggregate Value-to-Lien**
Single Family Residential - Individually Owned	969	$ 328,880,321	86.43%	$ 1,250,397	78.70%	$ 4,088,355	$ 12,855,298	$ 17,100,749	$ 34,044,402	9.66:1
Single Family Residential - Developer Owned	99	7,093,508	1.86	110,508	6.96	361,322	1,136,131	84,223	1,581,677	4.48:1
Multifamily Residential Property[5]	1	44,543,400	11.71	227,952	14.35	745,323	2,343,571	261,792	3,350,685	13.29:1
Total	1,069	$ 380,517,229	100.00%	$ 1,588,857	100.00%	$ 5,195,000	$ 16,335,000	$ 17,446,763	$ 38,976,763	9.76:1

* *Preliminary, subject to change.*

(1) Totals only include parcels of Developed Property within Community Facilities District No. 05-8.

(2) Fiscal Year 2018-19 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.

(3) Includes debt service for 2018 and 2013 bonds and estimated administration in the amount of $80,408. Developed Property to be levied at the Assigned Special Tax rate until the final series of Additional Bonds is issued. In Fiscal Year 2018-19, the District is levying Special Taxes on 1,028 parcels of Developed Property at the assigned special tax rates in the aggregate amount of $1,512,420.25.

(4) Includes Perris Union HS CFD 92-1, Menifee USD CFD 2005-2, Menifee USD CFD 2006-2, Menifee USD CFD 2006-3, Menifee USD CFD 2006-4, EMWD AD 20, EMWD CFD 2005-39, and EMWD CFD 2006-52 outstanding bonds.

(5) Includes one apartment complex parcel comprising 230 total residential units.

Source: Webb Municipal Finance, LLC.

TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
PROPERTY OWNERSHIP BY LAND USE CATEGORY

Land Use Category[1]	*Acreage*	*Units*	*Assessed Value*[2]	*2018 Bonds**	*2013 Bonds*	*Assessed Value-to-Lien**	*Projected Fiscal Year 2019-20 Maximum Special Tax Levy*	*Fiscal Year 2019-20 % of Maximum Special Tax*	*Projected Fiscal Year 2019-20 Levy*[3]	*% of Projected Fiscal Year 2019-20 Levy*
Developed Property										
KB Home Coastal Inc	14.34	87	$ 6,687,944	$ 321,196	$ 1,009,959	5.02:1	$ 98,236	2.09%	$ 98,236	6.18%
Pardee Homes	2.19	12	405,564	40,126	126,172	2.44:1	12,272	0.26	12,272	0.77
Cantabria Development[4]	10.85	230	44,543,400	745,323	2,343,571	14.42:1	227,952	4.86	227,952	14.35
Individual Owners	205.07	969	328,880,321	4,088,355	12,855,298	19.41:1	1,250,397	26.64	1,250,397	78.70
Subtotal Developed Property	232.45	1,298	$ 380,517,229	$ 5,195,000	$ 16,335,000	17.67:1	$ 1,588,857	33.85%	$ 1,588,857	100.00%
Approved Property										
Desert Candle	42.37	23	$ 2,201,192	$ 0	$ 0	N/A	$ 31,323	0.67%	$ 0	0.00%
KB Home Coastal Inc	54.88	291	13,103,103	0	0	N/A	328,751	7.00	0	0.00
Pardee Homes	66.95	347	9,792,811	0	0	N/A	354,878	7.56	0	0.00
Watt Communities at Mosaic	12.27	63	1,621,179	0	0	N/A	64,430	1.37	0	0.00
Subtotal Approved Property	176.47	724	$ 26,718,285	$ 0	$ 0	N/A	$ 779,382	16.60%	$ 0	0.00%
Undeveloped Property										
Richland Meadowland	125.49	N/A	$ 4,264,076	$ 0	$ 0	N/A	$ 445,358	9.49%	$ 0	0.00%
Menifee Estates	9.3	N/A	950,638	0	0	N/A	33,005	0.70	0	0.00
Golden Meadowland	80	N/A	2,716,996	0	0	N/A	283,916	6.05	0	0.00
Oak Prop	18.02	N/A	2,083,062	0	0	N/A	63,952	1.36	0	0.00
Christensen Ranch Riverside ASL	28.4	N/A	6,166,706	0	0	N/A	100,790	2.15	0	0.00
EPC Holdings 781	158.32	N/A	7,147,110	0	0	N/A	561,871	11.97	0	0.00
Eastern Financial	158.18	N/A	1,810,826	0	0	N/A	561,374	11.96	0	0.00
Moralez Enterprises	9.23	N/A	217,823	0	0	N/A	32,757	0.70	0	0.00
Individual Owners	68.52	N/A	4,015,568	0	0	N/A	243,174	5.18	0	0.00
Subtotal Undeveloped Property	655.46	N/A	$ 29,372,805	$ 0	$ 0	N/A	$ 2,326,198	49.55%	$ 0	0.00%
Total	**1,064.38**	**2,022**	**$ 436,608,319**	**$ 5,195,000**	**$ 16,335,000**	**20.28:1**	**$ 4,694,438**	**100.00%**	**$ 1,588,857**	**100.00%**

* *Preliminary, subject to change.*
(1) Based on land use and building permit status as of June 1, 2018.
(2) Fiscal Year 2018-19 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.
(3) Includes debt service for 2018 and 2013 bonds and estimated administration in the amount of $80,408. Developed Property to be levied at the Assigned Special Tax rate until the final series of Additional Bonds is issued. In Fiscal Year 2018-19, the District is levying Special Taxes on 1,028 parcels of Developed Property at the assigned special tax rates in the aggregate amount of $1,512,420.25.
(4) The parcel owned by Cantabria Development is comprised of 230 multifamily residential units.
Source: Webb Municipal Finance, LLC.

TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE
VALUE-TO-LIEN STRATIFICATION FOR DEVELOPED PROPERTY
(AS OF SEPTEMBER 30, 2018 EQUALIZED ROLL ASSESSED VALUES)

Assessed Value-to-Lien	*No. of Parcels*[(1)]	*% of Total Parcels*	*Projected Fiscal Year 2019-20 Special Tax*[(2)]	*% of Projected Special Tax*	*Assessed Value*[(3)]	*% of Assessed Value*	*Aggregate Outstanding Land Secured Debt*[(4)*]	*% of Aggregate Outstanding Land Secured Debt*	*Aggregate Value-to-Lien*[*]
Less than 3.00:1[(5)]	50	4.68%	$ 56,621	3.56%	$ 1,899,201	0.50%	$ 868,918	2.23%	2.19:1
3.01:1 to 5.00:1	41	3.84	47,355	2.98	3,259,129	0.86	841,910	2.16	3.87:1
5.01:1 to 10.00:1	589	55.10	813,735	51.22	191,394,333	50.30	24,271,917	62.27	7.89:1
10.01:1 to 15.00:1	219	20.49	531,674	33.46	126,124,198	33.15	10,728,494	27.53	11.76:1
Greater than 15.00:1[(6)]	170	15.90	139,472	8.78	57,840,368	15.20	2,265,524	5.81	25.53:1
Total	**1,069**	**100.00%**	**$ 1,588,857**	**100.00%**	**$ 380,517,229**	**100.00%**	**$ 38,976,763**	**100.00%**	**9.76:1**

* *Preliminary, subject to change.*

(1) Reflects the number of parcels classified as Developed Property and projected to be levied for Fiscal Year 2019-20.

(2) Includes debt service for 2018 and 2013 bonds and estimated administration in the amount of $80,408. Developed Property to be levied at the Assigned Special Tax rate until the final series of Additional Bonds is issued. In Fiscal Year 2018-19, the District is levying Special Taxes on 1,028 parcels of Developed Property at the assigned special tax rates in the aggregate amount of $1,512,420.25.

(3) Fiscal Year 2018-19 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.

(4) Includes CFD 05-8 2018 and 2013 Series Bonds in addition to Perris Union HS CFD 92-1, Menifee USD CFD 2005-2, Menifee USD CFD 2006-2, Menifee USD CFD 2006-3, Menifee USD CFD 2006-4, EMWD AD 20, EMWD CFD 2005-39, and EMWD CFD 2006-52 outstanding bonds.

(5) Minimum estimated assessed value-to-lien is 0.98:1 for a total of three parcels which are classified as Developed Property for Fiscal Year 2019-20 but were not assigned structure Assessed Value by the Riverside County Assessor.

(6) Maximum estimated assessed value-to-lien is 48.76:1.

Source: Webb Municipal Finance LLC.

Largest Taxpayers

In Fiscal Year 2019-20, 100% of the Special Taxes are projected to be levied on parcels to be classified as Developed Property. Two property owners within the District are projected to be responsible for approximately 20.6% of the Fiscal Year 2019-20 Special Tax levy. Cantabria Development owns a 230 unit multi-family housing apartment complex in the District on approximately 10.85 acres known as ("Cantabria Apartments"). Construction of Cantabria Apartments was completed in 2008 and has a Fiscal Year 2018-19 assessed value of $44,543,400. Cantabria Development's property was annexed into the District in Fiscal Year 2007-08. Cantabria Development's predecessor-in-interest, Fairfield Holland, first paid Special Taxes in Fiscal Year 2008-09. Fairfield Holland was delinquent for approximately two months in 2011 on its Fiscal Year 2010-11 Special Taxes. Fairfield Holland paid such delinquent Special Taxes and neither Fairfield Holland nor Cantabria Development has been delinquent in the payment of Special Taxes since. A summary of the largest taxpayers within the District is set forth in Table 7 below.

TABLE 7
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE
ESTIMATED VALUE-TO-LIEN RATIOS
LARGEST PROPERTY OWNERS OF PARCELS OF DEVELOPED PROPERTY

Owner	*No. of Parcels*[1]	*Assessed Value*[2]	*% of Assessed Value*	*2018 Bonds**	*2013 Bonds*	*Other Overlapping Debt*[3]	*Aggregate Outstanding Debt**	*Value-to-Lien Ratio**	*Projected Fiscal Year 2019-20 Special Tax*[4]	*% of Projected Special Tax*
Cantabria Development[5]	1	$ 44,543,400	11.71%	$ 745,323	$ 2,343,571	$ 261,792	$ 3,350,685	13.29:1	$ 227,952	14.35%
KB Home Coastal Inc[6]	88	7,012,238	1.84	324,888	1,021,567	79,670	1,426,126	4.92:1	99,365	6.25
Pardee Homes	12	405,564	0.11	40,126	126,172	6,829	173,128	2.34:1	12,272	0.77
B&D Consolidation	3	568,469	0.15	13,845	43,534	6,829	64,208	8.85:1	4,234	0.27
Juan Rodriguez	2	659,522	0.17	9,248	29,079	32,740	71,067	9.28:1	2,828	0.18
Billy Medina	2	631,450	0.17	9,084	28,563	28,502	66,149	9.55:1	2,778	0.17
Robert Ashcraft	2	469,145	0.12	9,084	28,563	28,502	66,149	7.09:1	2,778	0.17
David Brown	2	730,338	0.19	8,880	27,923	62,210	99,013	7.38:1	2,716	0.17
Jose Martinez	2	724,103	0.19	6,463	20,321	18,630	45,414	15.94:1	1,977	0.12
Jose Ramirez	2	621,178	0.16	6,463	20,321	26,330	53,114	11.70:1	1,977	0.12
Subtotal	116	$ 56,365,407	14.81%	$ 1,173,404	$ 3,689,614	$ 552,035	$ 5,415,052	10.41:1	$ 358,878	22.59%
All Others	953	324,151,822	85.19	4,021,596	12,645,386	16,894,729	33,561,711	9.66:1	1,229,979	77.41
Total	**1,069**	**$ 380,517,229**	**100.00%**	**$ 5,195,000**	**$ 16,335,000**	**$ 17,446,763**	**$ 38,976,763**	**9.76:1**	**$ 1,588,857**	**100.00%**

* *Preliminary, subject to change.*

(1) Reflects the number of parcels projected to be levied for Fiscal Year 2019-20. Approved Property and Undeveloped Property are not included as these parcels are not projected to be levied for Fiscal Year 2019-20.

(2) Fiscal Year 2018-19 Equalized Roll Assessed Valuation, Riverside County Assessor's Office.

(3) Includes Perris Union HS CFD 92-1, Menifee USD CFD 2005-2, Menifee USD CFD 2006-2, Menifee USD CFD 2006-3, Menifee USD CFD 2006-4, EMWD AD 20, EMWD CFD 2005-39, and EMWD CFD 2006-52 outstanding bonds.

(4) Includes debt service on the 2018 Bonds and the 2013 Bonds and estimated administration expenses in the amount of $80,408. Developed Property to be levied at the Assigned Special Tax rate until the final series of bonds is issued. Approved Property and Undeveloped Property are not projected to be taxed for Fiscal Year 2019-20, however such property may be taxed in the future, if necessary, to satisfy the Special Tax Requirement.

(5) Includes one apartment complex parcel comprising 230 total residential units.

(6) 66 parcels owned by KB Homes will be classified as Developed Property for Fiscal Year 2019-20, and were not assigned structure assessed value for Fiscal Year 2018-19.

Source: Webb Municipal Finance LLC.

Delinquency History

Table 8 below summarizes the Special Tax delinquencies for property within the boundaries of the District for Fiscal Years 2013-14 through Fiscal Year 2017-18.

TABLE 8
COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)
OF THE COUNTY OF RIVERSIDE
DELINQUENCY HISTORY
FISCAL YEARS 2013-14 THROUGH 2017-18

			Delinquencies Following Fiscal Year End			*Delinquencies as of October 1, 2018*		
Fiscal Year	***Amount Levied***	***Parcels Levied***	***Parcels Delinquent***	***Amount Delinquent***	***Percent Delinquent***	***Parcels Delinquent***	***Amount Delinquent***	***Percent Delinquent***
2013-14	$1,132,269.70	787	5	$4,237.29	0.37%	0	$ 0.00	0.00%
2014-15	1,264,624.32	908	8	8,096.50	0.64	0	0.00	0.00
2015-16	1,299,079.08	915	7	6,975.08	0.54	1	1,283.32	0.10
2016-17	1,365,113.26	945	9	8,718.62	0.64	2	2,295.99	0.17
2017-18	1,401,393.86	952	7	6,871.57	0.49	5	5,921.68	0.42

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 2018 Bonds. The 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 2018 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the District to make full and punctual payments of debt service on the 2018 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District.

Risks of Real Estate Secured Investments Generally

The Series 2018 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 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 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 District's ability to pursue judicial proceedings with respect to delinquent parcels.

Concentration of Ownership

Assuming the development status as of June 1, 2018, the ownership status as of January 1, 2018 and no issuance of Additional Bonds, Cantabria Development will be responsible for approximately 14.35% of the Fiscal Year 2019-20 Special Taxes, approximately 78.70% of the Fiscal Year 2019-20 Special Tax levy will be paid by individual homeowners and the remaining approximately 6.95% of the Fiscal Year 2019-20 Special Tax levy will be paid by Pardee Homes and KB Homes Coastal Inc., developers within the District. See Tables 5 and 7 herein. Special Taxes were levied solely on Developed Property in Fiscal Year 2018-19 and the District expects to continue to levy Special Taxes solely on Developed Property until further development within the District occurs and Additional Bonds are issued. Cantabria Development is the owner of a 230 unit multi-family apartment complex within the District. See "THE COMMUNITY FACILITIES DISTRICT — Largest Taxpayers." Until further development within the District occurs, if Cantabria Development is unwilling or unable to pay the Special Tax when due, a potential shortfall in the Special Tax Fund could occur, which would result in the depletion of the Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Taxes and, consequently, a delay or failure in payments of the principal of or interest on the 2018 Bonds.

No property owner is obligated in any manner to continue to own or develop any of the land it presently owns within the District. The Special Taxes are not a personal obligation of any owner, developer or merchant builder of the parcels, and the 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.

Failure to Develop Properties

Continued development of property within the 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 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 District. In addition, there is a risk that future governmental restrictions on land development within the 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 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 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 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 District would cause the property values within the District to decrease substantially and could affect the willingness and ability of the property owners within the District to pay the Special Taxes when due.

Special Taxes Are Not Personal Obligations

The current and future owners of land within the 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 District. In the event of foreclosure following delinquency, if the value of the development parcel within the District is not sufficient to fully secure the Special Tax, then the District has no recourse against the landowner under the laws by which the Special Tax has been levied and the 2018 Bonds have been issued.

The Bonds Are Limited Obligations of the District

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

The District has no obligation to pay principal of and interest on the 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 District is obligated to advance funds from any source other than amounts pledged under the Indenture to pay such debt service on the Bonds.

Property Values; Value-to-Lien Ratios

The value of the property within the District is a critical factor in determining the investment quality of the 2018 Bonds. If a property owner is delinquent in the payment of Special Taxes, the District's only remedy is to commence foreclosure proceedings against the delinquent parcel in an attempt to obtain funds to pay the Special Taxes. Reductions in property values due to a downturn in the economy, physical events such as earthquakes, fires or floods, 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% 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 District could adversely affect the property values within the District. The 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 District or an increase in the indebtedness secured by taxes and amounts with parity liens on property in the District, or both, could result in a lowering of the value-to-lien ratio of the property in the 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 1 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 District. See Table 1 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 2018 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 2018 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 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 2018 Bonds in the event of foreclosure. In such an event, the land in the 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 District to pay the Special Taxes.

Effect of Additional Bonds on Credit Quality

The District may at any time after the issuance and delivery of the 2018 Bonds issue Additional Bonds in an aggregate amount not to exceed $77,320,000 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 2018 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 2018 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 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 2018 Bonds will not have any prior claim on the Special Taxes levied on the property within the District, but will have an equal claim with the owners of the Additional Bonds on the Net Special Tax Revenues collected within the 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 2018 Bonds having to rely upon the payment of Special Taxes from Undeveloped Property.

Potential Early Redemption of Bonds from Special Tax Prepayments

Property owners within the District are permitted to prepay their Special Taxes at any time. Such payments will result in a mandatory redemption of Bonds from Special Tax prepayments on the Interest Payment Date for which timely notice may be given under the Indenture following the receipt of such Special Tax prepayment. The resulting redemption of Bonds purchased at a price greater than par could reduce the otherwise expected yield on such Bonds. See "THE 2018 BONDS — Redemption — *Mandatory Redemption from Special Tax Prepayments*."

Disclosure to Future Purchasers

The District has recorded a Notice of Special Tax Lien, in the Office of the Riverside County Recorder on May 4, 2006 as Document No. 2006-0323346. 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 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 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 2018 Bondowners should assume that any event that significantly impacts the ability to construct homes on land in the District could cause the land values within the 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 District. See "— Failure to Develop Properties" above.

Water Availability

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

Endangered and Threatened Species

It is illegal to harm or disturb species that have been listed as threatened or endangered by the U.S. Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Thus, the presence of an endangered plant or animal could delay development of or reduce the value of undeveloped property in the District. Failure to develop the undeveloped property in the 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 District to pay the Special Taxes when due.

Certain species covered by the County's MSHCP are present within the undeveloped property within the 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 District is a claim with regard to hazardous substances. In general, the owners and operators of parcels within the 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 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 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 District has not independently verified and is not aware that any of the owners (or operators) of property within the 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 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 2013 Bonds and the 2018 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the District. The annual levy of the Special Tax is subject to the maximum tax rates authorized. 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 2013 Bonds and the 2018 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 2013 Bonds and the 2018 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 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 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. Pursuant to these procedures, 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 2018 Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the District of the proceeds of sale if the Reserve Account 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 2018 Bonds are derived, are customarily billed to the properties within the 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 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 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 District acquired by a public entity through a negotiated transaction or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. It is possible that property acquired by a public entity following a tax sale or foreclosure based upon failure to pay taxes could become exempt from the Special Tax. In addition, although the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment, the constitutionality and operation of these provisions of the Act have not been tested, meaning that such property could become exempt from the Special Tax. In the event that additional property is dedicated to the County or other public entities, this additional property might become exempt from the Special Tax.

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

Depletion of Reserve Fund

The Reserve Fund is maintained in an amount equal to the Reserve Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Reserve Fund." Funds in the Reserve Fund may be used to pay principal of and interest on the 2018 Bonds in the event the proceeds of the levy and the collection of the Special Taxes against the property in the 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 2018 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 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 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 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 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 District may, but is not obligated to, seek superior court approval to sell such parcel at an amount less than the minimum bid. Such superior court approval requires the consent of a majority of the aggregate principal amount of the outstanding 2018 Bonds.

Delays and uncertainties in the Special Tax lien foreclosure process create significant risks for Beneficial Owners of the 2018 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 2018 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 District, such funds may be invested in the name of the 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 2018 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 2018 Bonds with a priority interest in such amounts. In that circumstance, unless the Beneficial Owners of the 2018 Bonds could "trace" the funds that have been deposited in the County investment pool, the Beneficial Owners of the 2018 Bonds would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Beneficial Owners of the 2018 Bonds could successfully so trace the Special Taxes or debt service payments.

No Acceleration Provision

The 2018 Bonds do not contain a provision allowing for the acceleration of the 2018 Bonds in the event of a payment default or other default under the terms of the 2018 Bonds or the Indenture or in the event interest on the 2018 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 2018 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 2018 Bonds. The payment of property owners' taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. See "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 excepts from the Bankruptcy Code's automatic stay provisions, "the creation of a statutory lien for an *ad valorem* property tax imposed by . . . a political subdivision of a state if such tax comes due after the filing of the petition [by a debtor in bankruptcy court]." This amendment effectively makes the Glasply holding inoperative as it relates to *ad valorem* real property taxes. However, it is possible that the original rationale of the Glasply ruling could still result in the treatment of post-petition special taxes as "administrative expenses," rather than as tax liens secured by real property, at least during the pendency of bankruptcy proceedings.

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

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

The various legal opinions to be delivered concurrently with the delivery of the 2018 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 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 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 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 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 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 District becoming owned by the federal government, federal government entities or federal government sponsored entities, see "—Insufficiency of the Special Tax."

The 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 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 District, like all California communities, may be subject to unpredictable seismic activity. The occurrence of seismic activity in the District could result in substantial damage to properties in the 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 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.

District Formation

California voters, on June 6, 1978, approved an amendment ("Article XIIIA") to the California Constitution. Section 4 of Article XIIIA, requires a vote of two-thirds of the qualified electorate to impose "special taxes," or any additional *ad valorem*, sales or transaction taxes on real property. At an election held in the District pursuant to the Act, more than two-thirds of the qualified electors within the District, authorized the District to incur bonded indebtedness to finance the Facilities and approved the Rate and Method. The Supreme Court of the State of California has not yet decided whether landowner elections (as opposed to resident elections) satisfy requirements of Section 4 of Article XIIIA, nor has the Supreme Court decided whether the special taxes of a District constitute a "special tax" for purposes of Article XIIIA.

Section 53359 of the Act requires that any action or proceeding to attack, review, set aside, void or annul the levy of a special tax or an increase in a special tax pursuant to the Act shall be commenced within 30 days after the special tax is approved by the qualified electors. No such action has been filed with respect to the Special Tax.

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 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 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 2018 Bonds, it is necessary that the Special Tax levied against land within the District be paid in a timely manner. The District has covenanted in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the 2018 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 2018 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 District to cause such an action to be commenced and diligently pursued to completion, the Act does not obligate the 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 XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." The provisions of the Initiative have not yet been interpreted by the courts, although several lawsuits have been filed requesting the courts to interpret various aspects of the Initiative. The Initiative could potentially impact the Special Taxes available to the District to pay the principal of and interest on the 2018 Bonds as described below.

Among other things, Section 3 of Article XIII states that ". . . the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The Act provides for a procedure which includes notice, hearing, protest and voting requirements to alter the 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 XIIIC 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 2018 Bonds.

It may be possible, however, for voters or the Board of Supervisors of the County acting as the legislative body of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the 2018 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 2018 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 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 2018 Bonds. The 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 2018 Bonds, the 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 2018 Bonds. However, no assurance can be given as to the enforceability of the foregoing covenants.

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

Articles XIIIC and XIIID were adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. On March 6, 1995, in the case of Rossi v. Brown, the State Supreme Court held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might place limitations on the ability of the State, the County, or local districts to increase revenues or to increase appropriations or on the ability of the landowners within the District to complete the remaining proposed development.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the 2018 Bonds or, if a secondary market exists, that the 2018 Bonds can be sold at all or for any particular price. Although the District has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Beneficial Owners of the 2018 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 2018 Bonds

As discussed under the caption "LEGAL MATTERS — Tax Matters," the interest on the 2018 Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the 2018 Bonds as a result of an act or omission of the District in violation of certain provisions of the Code and the covenants of the Indenture. In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 2018 Bonds, the 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 2018 Bonds under Section 103 of the Internal Revenue Code of 1986. Should such an event of taxability occur, the 2018 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 2018 BONDS — Redemption."

Future legislation, if enacted into law, or clarification of the Code may cause interest on the 2018 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 2018 Bonds. Prospective purchasers of the 2018 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 2018 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 2018 Bonds or the market value of the 2018 Bonds. No assurance can be given that subsequent to the issuance of the 2018 Bonds such changes or interpretations will not occur.

Limitations on Remedies

Remedies available to the Beneficial Owners of the 2018 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 2018 Bonds or to preserve the tax-exempt status of the 2018 Bonds.

Bond Counsel has limited its opinion as to the enforceability of the 2018 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 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 2018 Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), by and between the District and the Trustee, the 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 District. The Annual Report to be filed by the District is to be filed not later than April 1 of each year, beginning April 1, 2019, and is to include audited financial statements of the 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 District to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Indenture. However, any holder of the 2018 Bonds may take such action as is necessary and appropriate, including seeking mandate or a judgment for specific performance, to cause the District to comply with its obligations with respect to the Continuing Disclosure Agreement.

During the last five calendar years the District has not failed to comply with its previous undertakings with regard to Rule 15c2-12 in any material respects, except as follows:

Within 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 timely significant event notices, most often with respect to changes in the ratings of outstanding indebtedness, and 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 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 where material, 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 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.

The County was advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's (the "SEC") Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over thirty bond issues of the County and related issuers. In connection with such self-reporting, on March 3, 2017, the SEC notified the County that, as of the date of such notice, the SEC did not intend to recommend any enforcement action by the SEC against the County.

LEGAL MATTERS

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2018 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2018 Bonds is exempt from State of California personal income tax.

The difference between the issue price of a 2018 Bond (the first price at which a substantial amount of the 2018 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the 2018 Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2018 Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the 2018 Bond is excluded from gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the 2018 Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2018 Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2018 Bonds to assure that interest (and original issue discount) on the 2018 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2018 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2018 Bonds. The District will covenant to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2018 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Beneficial Owner's basis in the applicable 2018 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Owner realizing a taxable gain when a 2018 Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2018 Bond to the Beneficial Owner. Purchasers of the 2018 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2018 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any 2018 Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2018 Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2018 Bonds and the accrual or receipt of interest (and original issue discount) with respect to the 2018 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2018 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2018 Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2018 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2018 Bonds might be affected as a result of such an audit of the 2018 Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2018 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2018 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2018 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2018 BONDS OR THE MARKET VALUE OF THE 2018 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2018 BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2018 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2018 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2018 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 2018 BONDS.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

Litigation

No litigation is pending or threatened concerning the validity of the 2018 Bonds, the pledge of Special Taxes to repay the 2018 Bonds, the powers or authority of the District with respect to the 2018 Bonds, or seeking to restrain or enjoin development of the land within the District and a certificate of the District to that effect will be furnished to the Underwriter at the time of the original delivery of the 2018 Bonds.

Legal Opinion

The validity of the 2018 Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel and Disclosure Counsel to the 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 District by the County Counsel.

No Rating

The District has not made and does not contemplate making application to any rating agency for the assignment of a rating of the 2018 Bonds.

Underwriting

The 2018 Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the 2018 Bonds at a price of $__________, being $_________ aggregate principal amount thereof, less Underwriter's discount of $_________ plus/less [net] original issue premium/discount of $_________). The purchase agreement relating to the 2018 Bonds provides that the Underwriter will purchase all of the 2018 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 2018 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 District has retained Fieldman Rolapp & Associates, Inc., Irvine, California, as Municipal Advisor (the "Municipal Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2018 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 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 and Municipal Advisor are contingent upon the issuance and delivery of the 2018 Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the 2018 Bonds.

Pending Legislation

The District is not aware of any significant pending legislation which would have material adverse consequences on the 2018 Bonds or the ability of the District to pay the principal of and interest on the 2018 Bonds when due.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the 2018 Bonds. Quotations and summaries and explanations of the 2018 Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions.

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

COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) OF THE COUNTY OF RIVERSIDE

By: ______________________________

County Executive Officer

APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD) 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. 05-8 (Scott Road) of the County. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2006-2007, on a Parcel of Taxable Property shall be determined by the Legislative Body, by applying the appropriate Special Tax for each category of Taxable Property as calculated consistent with Sections B., C., and D. All of the real property within the CFD, unless exempted by law, Section E. or non-taxable pursuant to Section H.1. or H.2. 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 defined 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 as 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; all trustee/fiscal agent expenses and fees; the cost of rebate compliance calculation, 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.

"**Annexed Property**" means Taxable Property that has been annexed into the CFD by the Legislative Body upon determination by the Administrator that (i) the Assigned Special Tax from the Parcel(s) is necessary to provide financing of the full Cost of the Facilities, and (ii) the Parcel(s) are within the area designated as potential Annexed Property as shown on Exhibit B.

"**Approved Property**" means, for each Fiscal Year, for which a Special Tax is being levied, all Parcels of Taxable Property not classified as Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public 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. Any Final Map recorded prior to July 1st of 2006 shall be treated for the purposes of setting the Assigned Special Tax for such Approved Property as if it were subject to the TUMF in effect as of July 1st of 2006.

"**Assessor's Parcel Map**" means, for each Fiscal Year, the official map(s) of the Assessor of the County designating each Parcel by an Assessor's parcel number.

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

"**Backup Special Tax**" means the Special Tax determined in Sections C.2.b. and C.3.b., 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 for new construction of any Single Family Residential Unit or Multifamily Residential Unit. For purposes of this definition, Building Permit refers to a permit allowing for construction of a production unit as opposed to a building permit issued in conjunction with a grading permit allowing for the construction of model units.

"**CFD**" means Community Facilities District No. 05-8 (Scott Road) of the County established pursuant to the Act.

"**CFD Boundary Map**" means the map recorded at CFD formation and annexation maps reflecting Annexed Property, Exhibit A.

"**Cost of the Facilities**" means the calculation of the cost of the Facilities to be constructed including financing costs, e.g. capitalized interest, funding a reserve fund, cost of issuance and underwriter's discount, as determined by the Administrator.

"**County**" means the County of Riverside.

"**Developed Property**" means, for each Fiscal Year after formation of the CFD for which the Special Tax is being levied, each Parcel of Taxable Property not classified as Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property: (i) that is included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year, and (ii) a Building Permit has been issued for a Single Family Residential Unit or a Multifamily Residential Unit on such Parcel prior to April 1st preceding said Fiscal Year. Parcels upon which a model unit has been constructed will be treated as Developed Property when any other Parcel within said Final Map is issued a Building Permit.

"**Exempt Property**" means, for each Fiscal Year, any Parcel which is exempt from Special Taxes pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

"**Existing Single Family Residential Unit**" means any constructed Single Family Residential Unit that is located on a Parcel (i) at the time the CFD is established or (ii) at the time a Parcel is annexed into the CFD.

"**Facilities**" means, the improvements, within the boundaries of Exhibit B, whose construction or acquisition is identified in the TUMF Program, including but not limited to: (i) the widening of Scott Road to four lanes between Antelope Road and Briggs Road 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; (ii) the widening of the interchange at Interstate 215 and Scott Road and the modification of the ramps to meet future traffic demands 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; (iii) the full width improvement to Scott Road from Antelope Road to 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 Program, as amended from time to time.

"**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 Parcels for which building permits may be issued without further subdivision.

"**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, 2006.

"**July 1st**" means the effective date in July of any adjustment to TUMF made pursuant to the TUMF Ordinance; provided that if no adjustment takes effect by July 25, "July 1st" means the first Business Day of July.

"**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 land use categories listed in Table 1, below.

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

"**Maximum Special Tax**" means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C., which can be levied in such Fiscal Year on any Parcel.

"**Multifamily Property**" means, for each Fiscal Year, a Parcel designated to be developed with one or more Multifamily Residential Units as determined by the Administrator consistent with the TUMF Ordinance in effect on the date such determination is made; provided, however, that once a Parcel is categorized as Approved Property with a Land Use Category as Multifamily Property, said Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition of Multifamily Residential Unit.

"**Multifamily Residential Unit**" has the meaning set forth in the TUMF Ordinance; provided that once a Parcel of Multifamily Property is categorized as Approved Property such Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition.

"**Multiple Land Use Property**" means, for each Fiscal Year, any Developed Property assigned to more than one Land Use Category (e.g. one structure containing both Non-Residential Property uses and Residential Property uses).

"**Non-Residential Floor Area**" means, with regard to Multiple Land Use Property only, all of the square footage within the perimeter of all structures on a Parcel used for non-residential purposes, measured from outside wall to outside wall, exclusive of any overhangs, porches, patios, enclosed patios, car ports, walkways, garages 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 Floor Area is to be treated as Non-Residential Property.

"**Non-Residential Property**" means, for each Fiscal Year, all Parcels for which a building permit may be issued for any type of non-residential use, provided, however, that if zoning allows either residential construction or non-residential construction, such property shall be categorized as Residential Property until such time as a building permit for non-residential use has been issued.

"Outstanding Bonds" means all Bonds deemed to be outstanding under the Indenture.

"Parcel" means, for each Fiscal Year, each lot or parcel within the boundary of the CFD as shown on an Assessor's Parcel Map to which a 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.

"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 Assigned or Backup Special Tax, as applicable, 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 Assigned or Maximum Special Tax per taxable Acre is the same for all Parcels of Undeveloped Property, (iv) Taxable Non-Residential 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 Taxable Non-Residential Property, (v) Taxable Property Owners' Association 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 Taxable Property Owners' Association Property, and (vi) Taxable Public 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 Taxable Public 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, 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.

"Residential Floor Area" means, with regard to Multiple Land Use Property only, all of the square footage within the perimeter of all structures on a Parcel used for residential purposes, measured from outside wall to outside wall, exclusive of any overhangs, porches, patios, enclosed patios, car ports, walkways, garages or similar spaces attached to the building. 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 Floor Area shall be treated as Residential Property.

"Residential Property" means, for each Fiscal Year, Developed Property and Approved Property for which a Building Permit for residential units may be issued, as determined by the Administrator.

"Single Family Property" means, for each Fiscal Year, a Parcel designated to be developed with one or more Single Family Residential Units as determined by the Administrator; provided, however, that once a Parcel is categorized as Approved Property, said Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition of Single Family Residential Unit.

"Single Family Residential Unit" has the meaning set forth in the TUMF Ordinance; provided that once a Parcel of Single Family Property is categorized as Approved Property such Parcel will not change Land Use Category should an amendment to the TUMF Ordinance alter the definition.

"Special Tax" means, (i) prior to the issuance of any Bonds, the special tax to be levied in any Fiscal Year on each Parcel of Developed Property to be applied towards the Cost of Facilities, and,

(ii) subsequent to the issuance of the first series of Bonds, the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property to provide funding for the Special Tax Requirement.

"**Special Tax Factor**" means the factor stated in column (4) of Table 1 that is to be applied to establish the Assigned Special Tax for Single Family Property and Multifamily Property which is Developed Property or Approved 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 of Facilities provided such amount does not cause an increase in the Special Tax levy on Approved Property, Undeveloped Property, Taxable Property Owners' Association Property, Taxable Public Property or Taxable Non-Residential 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 Non-Residential Property**" means, for each Fiscal Year, any Parcel of Non-Residential Property which is not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

"**Taxable Property**" means, for each Fiscal Year, all Parcels in the CFD which are not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

"**Taxable Property Owners' Association Property**" means, for each Fiscal Year, any Parcel of Property Owners' Association Property which is not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

"**Taxable Public Property**" means, for each Fiscal Year, any Parcel of Public Property which is not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

"**TUMF**" means the fee authorized pursuant to the TUMF Ordinance.

"**TUMF Ordinance**" means Ordinance 824.1 of the County of Riverside as amended from time to time.

"**TUMF Percentage Change**" means, the percentage increase in the respective TUMF applicable to a Single Family Residential Unit or a Multifamily Residential Unit, as of July 1st of the prior calendar year to July 1st of the current calendar year, beginning with the increase from the respective TUMF in effect as of July 1st of 2005 to the TUMF in effect as of July 1st of 2006.

"**TUMF Program**" means the Western Riverside County Transportation Uniform Mitigation Fee Program as established by the TUMF Ordinance.

"**Undeveloped Property**" means, for each Fiscal Year, all Taxable Property including residentially zoned property which has not become Approved Property or Developed Property, excluding Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property which has not become Approved Property or Developed Property and which is not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, each Parcel of Taxable Property shall be categorized as either Undeveloped Property, Approved Property, Developed Property, Taxable Public Property, Taxable Property Owners' Association Property or Taxable Non-Residential Property, and shall be subject to the levy of Special Tax in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., and D., below. Approved Property and Developed Property shall further be classified as Single Family Property or Multifamily Property.

Any Existing Single Family Residential Unit shall be subject to the levy of the Special Tax as Undeveloped Property. Once a Final Map is recorded that includes the Parcel on which the Existing Single Family Residential Unit is constructed, then: (i) if said Final Map creates a Parcel for the Existing Single Family Residential Unit while such Existing Single Family Residential Unit remains on said Parcel, then said Parcel shall not be subject to the levy of the Special Tax, and the Taxable Property within the boundaries of said Final Map will be treated as Approved Property, or (ii) if said Final Map indicates that the Existing Single Family Residential Unit has been demolished and one or more Parcels have been created over the site on which the Existing Single Family Residential Unit stood, the resulting Parcel(s) and the Taxable Property within the boundaries of said Final Map are to be classified as Approved Property or Developed Property, as applicable.

When Parcels are annexed into the CFD, the Legislative Body shall adopt annexation maps to reflect the inclusion of the Annexed Property.

C. ASSIGNED AND MAXIMUM SPECIAL TAX RATES

1. Undeveloped Property, Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property.

Maximum Special Tax

As of July 1st of 2005 the Maximum Special Tax for each Parcel of Undeveloped Property, Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property is the amount per Acre stated in column (5) of Table 1 times the Acreage of the Parcel.

On July 1st of each Fiscal Year commencing July 1st of 2006, the Maximum Special Tax per Acre for Undeveloped Property, Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property shall increase by the greater of 2.00% or the TUMF Percentage Change for a Single Family Residential Unit for the period beginning on July 1st of the prior calendar year to the next succeeding July 1st on which date the calculation is being made.

2. Approved Property

a. Assigned Special Tax

Upon determination that a Parcel of Taxable Property is Approved Property, (i) the Assigned Special Tax for each Parcel to be developed as Single Family Property, as shown on the Final Map, shall be the product of the TUMF for a Single Family Residential Unit in effect on the July 1st preceding the recordation date of the Final Map multiplied by the Special Tax Factor, and (ii) the Assigned Special Tax for each Parcel that is to be developed as Multifamily Property shall be the product of the TUMF for a Multifamily Residential Unit in effect on the July 1st preceding the recordation date of the Final Map multiplied by the number of proposed dwelling units as shown on the Final Map or as determined by the Administrator, multiplied by the Special Tax Factor.

For any Parcel that becomes Approved Property prior to July 1st of 2006, the TUMF in effect on July 1st of 2006 for shall be applied.

On July 1st of each Fiscal Year commencing July 1st of 2007, the Assigned Special Tax for any Parcel of Approved Property that was classified as such in the prior Fiscal Year shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for said Parcel for the prior Fiscal Year.

b. <u>Maximum Special Tax</u>

The Maximum Special Tax for each Parcel of Single Family Property and Multifamily Property that is Approved Property shall be the greater of: (i) the applicable Assigned Special Tax as determined by Section C.2.a. or (ii) the amount derived by application of the Backup Special Tax.

<u>Backup Special Tax</u>

Upon determination that a Parcel of Taxable Property is Approved Property, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property that is Approved Property shall be established as the Assigned Special Tax for such Parcel at the time such Taxable Property becomes Approved Property. On July 1st of each Fiscal Year commencing July 1st of 2007, the Backup Special Tax for any Parcel of Approved Property that was classified as such in the prior Fiscal Year shall increase by an amount equal to 2.00% of the Backup Special Tax in effect the prior Fiscal Year.

Notwithstanding the foregoing, (i) if the number of Parcels of Single Family Property in a specific Final Map is subsequently changed or modified, then the Backup Special Tax will be recalculated for the Parcels of Single Family Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each Parcel of Single Family Property within such changed area shall equal the aggregate Backup Special Tax within the changed area prior to the change or modification in such Final Map divided by the number of Parcels of Single Family Property within such area and (ii) if the number of Parcels of Multifamily Property in a specific Final Map is subsequently changed or modified, then the Backup Special Tax will be recalculated for the Parcels of Multifamily Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each Parcel of Multifamily Property within such changed area shall equal the aggregate Backup Special Tax within the changed area prior to the change or modification in the Final Map divided by the revised number of Parcels of Multifamily Property within such area.

3. Developed Property

a. <u>Assigned Special Tax</u>

Upon determination that any Parcel within a Final Map of Taxable Property is Developed Property, (i) the Assigned Special Tax as Developed Property for each Parcel within the Final Map to be developed as Single Family Property, as shown on the Final Map, shall be established as the greater of (a) product of the TUMF for a Single Family Residential Unit in effect on the July 1st preceding the date the first Building Permit is issued for a Parcel of Single Family Property within that Final Map multiplied by the Special Tax Factor or (b) the Assigned Special Tax in effect for such Parcels as Approved Property increased by 2.00% per Fiscal Year since the Parcel became Approved Property, and (ii) the Assigned Special Tax as Developed Property for each Parcel within the Final Map to be developed as Multifamily Property, as determined by the Administrator, shall be established as the greater (a) the product of the TUMF for a Multifamily Residential Unit in effect on the July 1st preceding the date the first Building Permit is issued for a Parcel of Multifamily Property within that Final Map multiplied by the number of dwelling units in the Building Permit for said Parcel, as determined by the Administrator, multiplied by the Special Tax Factor or (b) the Assigned Special Tax in effect for such Parcel as Approved Property increased by 2.00% per Fiscal Year since the Parcel became Approved Property.

The Special Tax established for Developed Property within a Final Map shall be applied to an individual Parcel within said Final Map only after a Building Permit has been issued for such Parcel.

For any Parcel that becomes Developed Property prior to July 1st of 2006, the TUMF effective on July 1st of 2006 shall be applied.

On July 1st of each Fiscal Year commencing July 1st of 2007, after a Parcel is determined to be Developed Property, the Assigned Special Tax for a Parcel of Developed Property shall increase by an amount equal to 2.00% of the Assigned Special Tax as Developed Property in effect for such Parcel of Developed Property as of July 1st of the prior Fiscal Year.

b. Maximum Special Tax

The Maximum Special Tax for each Parcel of Single Family Property and Multifamily Property that is Developed Property shall be the greater of: (i) the applicable Assigned Special Tax as determined by Section 3.a. above, or (ii) the amount derived by application of the Backup Special Tax.

Backup Special Tax

Upon determination that any Parcel of Taxable Property within a Final Map is Developed Property, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property within such Final Map shall be established as the Assigned Special Tax for such Parcel at the time such Parcel's Developed Property Assigned Special Tax rate is established. On July 1st of each Fiscal Year commencing July 1st of 2007, the Developed Property Backup Special Tax for any Parcel within such Final Map shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for such Final Map the prior Fiscal Year.

Notwithstanding the foregoing, (i) if the number of Parcels of Single Family Property in a specific Final Map whose Assigned Special Tax as Developed Property has been established is subsequently changed or modified, then the Backup Special Tax will be recalculated for the Parcels of Single Family Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each Parcel of Single Family Property within such changed area shall equal the aggregate

Backup Special Tax within the changed area prior to the change or modification in such Final Map divided by the number of Parcels of Single Family Property within such area and (ii) if the number of Parcels of Multifamily Property in a specific Final Map whose Assigned Special Tax as Developed Property has been established is subsequently changed or modified, then the Backup Special Tax will be recalculated for the Parcels of Multifamily Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each Parcel of Multifamily Property within such changed area shall equal the aggregate Backup Special Tax within the changed area prior to the change or modification in the Final Map divided by the revised number of Parcels of Multifamily Property within such area.

4. 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 the Residential portion of such a Parcel shall be the sum of the Assigned Special Tax levies for Residential Land Use Category on that Parcel. The Maximum Special Tax levied on the Residential portion of a Parcel shall be the Maximum Special Tax levy that can be imposed on the Residential Land Use Category on that Parcel. The Taxable Non-Residential portion of such parcel shall be subject to the Special Tax in Accordance with the Fifth step of Section D, below.

For purposes of calculating the Backup Special Tax for the Residential Land Use Category of Developed Property under such circumstances, the Acreage assigned to the Residential 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.

TABLE 1
Special Taxes
For Fiscal Year 2005-2006

(1) Land Use Category	*(2) Taxable Parcel/Acre*	*(3) Current TUMF as of July 1st, 2005*	*(4) Special Tax Factor*	*(5) Assigned Special Tax Per Parcel/Unit/Acre*
1 – Developed Single Family Property	Parcel	$7,248	11.3%	$ 819.02
2 – Approved Single Family Property	Parcel	$7,248	11.3%	$ 819.02
3 – Developed Multifamily Property	Unit	$5,021	11.3%	$ 567.37
4 – Approved Multifamily Property	Unit	$5,021	11.3%	$ 567.37
5 – Undeveloped Property	Acre	N/A	N/A	$ 2,018.94
6 – Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property	Acre	N/A	N/A	$ 2,018.94

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-2007 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 any series of Bonds, the Special Tax shall be levied on each Parcel of Developed Property for which a Building Permit has been issued at 100% of the applicable Assigned

Special Tax to be applied to the Cost of the Facilities; subsequent to the issue of the first series of 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 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 levied on each Parcel of Approved Property and Developed Property shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each 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 Taxable Non-Residential Property 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 Taxable Property Owners' Association Property at up to 100% of the Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Seventh: If additional moneys are needed to satisfy the Special Tax Requirement after the first six steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public 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 Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the CFD.

E. EXEMPTIONS

Land conveyed or irrevocably offered for dedication to a public agency after formation of the CFD and not otherwise 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.

The Special Tax shall not be imposed upon any of the following:

The Legislative Body shall not levy Special Taxes on up to 569 Acres of Public Property, Property Owners' Association Property or Non-Residential Property within the CFD which include, but are 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, habitat reserve, golf course clubhouse or recreational facilities, non-residential development, 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.

After the limit of Acres above has been reached, the Administrator will review additional requests for Exempt Property to verify that Special Taxes that could be levied on Taxable Property in each Fiscal Year, assuming such exemption were approved and assuming the current status of development and the expected development plan for all Parcels within the CFD for which an approved tentative tract map has been issued, are at least 110% of the annual debt service requirements for each Fiscal Year through maturity of the Outstanding Bonds plus estimated annual Administrative Expenses, and if all Bonds of the CFD have not been issued, an amount that takes into account Bonds to be issued for the full Cost of the Facilities. If Special Taxes will not provide at least 110% of the debt service requirements through maturity of the Outstanding Bonds plus estimated annual Administrative Expenses, plus, if all Bonds of the CFD have not been issued, an amount such that taking into account Bonds to be issued for the full Cost of the Facilities, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property and/or Non-residential Property may prepay pursuant to the provision within Section H., below. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, the parcel will be categorized as Taxable Non-Residential Property, Taxable Property Owners' Association Property and/or Taxable Public Property and will be subject to the levy of the Special Tax as provided for in the Fifth step, the Sixth step and the Seventh step of Section D. above.

For Annexed Property, increases to the stated amount of Exempt Property Acres as stated in the third paragraph of this Section E. will be increased as determined appropriate by the Administrator.

F. MANNER OF COLLECTION, PENALTIES, PROCEDURE AND 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 Special Taxes 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 1st 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

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property or Public Property, Property Owners' Association Property and/or Non-residential 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.

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 (assuming a full year's debt service); plus (b) the Administrative Expenses for such Fiscal Year.

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.

1. Prepayment in Full – Before the Administrator has determined that the full Cost of the Facilities has been provided for

The prepayment before the Full Cost of the Facilities has been provided for shall equal the present value of the remaining payments of the Special Tax (computed assuming that the Maximum Special Tax will be paid through Fiscal Year 2049-2050, starting from December 10th of the Fiscal Year of the prepayment and annually on such date thereafter and using a discount rate equal to 7.00% per year), and provided that the foregoing Prepayment Amount shall be increased if the Administrator determines that such increase is necessary so that the total Prepayment amount will be at least equal to the Parcel's TUMF obligation and estimated Administrative Expenses. The CFD shall not be obligated to redeem Bonds, but may apply the Prepayment Amount and Bond Redemption Amount towards the Costs of the Facilities.

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 Taxes 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 Full – After the Administrator has determined that the full Cost of the Facilities has been provided for

The Prepayment Amount (defined below) after the Full Cost of the Facilities has been provided for shall equal the sum of the amount as identified below (capitalized terms as defined below):

	Bond Redemption Amount	
	plus	Redemption Premium
	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 Developed Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Public Property, Property

Owners' Association Property and/or Non-residential Property to be prepaid, compute the Maximum Special Tax obligation 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 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.

7. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.

8. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.

9. Add the amounts derived pursuant to paragraphs 6 and 7 and subtract the amount derived pursuant to paragraph 8 (the "*Defeasance Amount*").

10. 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*").

11. 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.

12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").

13. 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, make

debt service payments, or be applied towards the Costs of the Facilities. 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 7 (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 Taxes and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

3. Prepayment in Part – After the Administrator has determined that the full Cost of the Facilities has been provided for

The Maximum Special Tax on a Parcel of Developed Property may be partially prepaid in increments of $5,000, only after the Administrator has determined that the full Cost of the Facilities has been provided for. For purposes of determining the partial prepayment amount, the provision of Section H.2 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = the partial prepayment
PE = the Prepayment Amount calculated according to Section 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 2049-2050 or the latest scheduled maturity of the final series of Bonds, whichever is sooner.

EXHIBIT A

BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)

[**TO BE INSERTED**]

EXHIBIT B

BOUNDARIES – POTENTIAL ANNEXATION AREA

COMMUNITY FACILITIES DISTRICT NO. 05-8 (SCOTT ROAD)

[TO BE INSERTED]

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 limited obligations of Community Facilities District No. 05-8 (Scott Road) of the County of Riverside (the "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 2,415,955 as of January 1, 2018, representing an approximately 1.40% increase over the County's population as estimated for the prior year, and a rate higher than the statewide population increase of 0.80% for the same period. For the ten year period of January 1, 2008 to January 1, 2018, the County's population grew by approximately 15.00%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 12.38% of the County as of January 1, 2018.

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)

City	*2014*	*2015*	*2016*	*2017*	*2018*
Banning	30,549	30,746	30,967	31,170	31,282
Beaumont	41,920	43,906	45,617	46,730	48,237
Blythe	18,737	18,522	19,008	19,027	19,389
Calimesa	8,036	8,114	8,212	8,567	8,876
Canyon Lake	10,652	10,673	10,728	10,882	11,018
Cathedral City	53,031	53,390	53,842	54,296	54,791
Coachella	44,101	44,486	44,940	45,273	45,635
Corona	160,955	162,396	163,341	166,819	168,574
Desert Hot Springs	28,591	28,900	29,252	29,347	29,742
Eastvale	58,790	59,930	62,147	63,720	64,855
Hemet	80,196	80,439	80,997	82,417	83,166
Indian Wells	5,295	5,407	5,512	5,549	5,574
Indio	82,419	84,009	85,233	86,632	87,883
Jurupa Valley	98,420	99,742	101,412	103,661	106,054
Lake Elsinore	57,488	59,404	61,422	62,487	63,365
La Quinta	38,991	39,323	39,899	40,605	41,204
Menifee	83,968	85,801	87,608	89,552	91,902
Moreno Valley	199,752	201,387	202,621	204,285	207,629
Murrieta	107,254	109,408	110,166	111,793	113,541
Norco	27,006	26,198	26,727	26,799	26,761
Palm Desert	50,414	50,683	51,250	52,058	52,769
Palm Springs	45,847	46,099	46,534	47,157	47,706
Perris	73,351	74,866	76,070	77,311	77,837
Rancho Mirage	18,076	18,201	18,369	18,579	18,738
Riverside	315,129	317,890	320,226	323,190	325,860
San Jacinto	46,014	46,462	47,085	47,560	48,146
Temecula	106,749	109,144	110,536	112,040	113,181
Wildomar	34,136	34,751	35,270	35,882	36,287
TOTALS					
Incorporated	1,925,867	1,950,277	1,974,991	2,003,388	2,030,002
Unincorporated	365,395	367,618	371,726	379,252	385,953
County-Wide	2,291,262	2,317,895	2,346,717	2,382,640	2,415,955
California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

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 2016. The following table summarizes personal income for Riverside County for 2001 through 2016.

COUNTY OF RIVERSIDE
PERSONAL INCOME
2001-2016
(Dollars in Thousands)

Year	*Riverside County*	*Annual Percent Change*
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	79,066,137	5.1
2015	84,429,454	6.8
2016	87,827,068	4.0

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

The following table summarizes per capita personal income for Riverside County, California and the United States for the years 2001-2016. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

RIVERSIDE COUNTY, STATE OF CALIFORNIA AND THE UNITED STATES
PER CAPITA PERSONAL INCOME
2001-2016

Year	*Riverside County*	*California*	*United States*
2001	$25,227	$33,671	$31,540
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	43,317	40,277
2011	31,847	45,849	42,461
2012	32,301	48,369	44,282
2013	32,828	48,570	44,493
2014	34,044	51,344	46,494
2015	35,883	54,718	48,451
2016	36,782	56,374	49,246

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

INDUSTRY AND EMPLOYMENT

Employment data by industry is not separately reported on an annual basis for the City but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2013 through 2017.

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

	2013	*2014*	*2015*	*2016*	*2017*
Civilian Labor Force	1,893,100	1,921,000	1,956,900	1,984,900	2,023,200
Civilian Employment	1,706,800	1,765,300	1,828,200	1,866,600	1,920,400
Civilian Unemployment	186,300	155,700	128,600	118,300	102,800
Civilian Unemployment Rate	9.8%	8.1%	6.6%	6.0%	5.1%
Total Farm	14,500	14,400	14,800	14,600	14,400
Total Nonfarm	1,233,300	1,289,300	1,353,100	1,401,900	1,451,600
Total Private	1,008,100	1,060,500	1,119,800	1,159,600	1,201,600
Goods Producing	158,600	170,200	183,000	191,500	196,600
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Service Providing	1,074,700	1,119,100	1,170,100	1,210,500	1,255,000
Trade, Transportation and Utilities	299,700	314,900	333,200	348,100	366,000
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,400	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Educational and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
Total, All Industries	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

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 2017 Benchmark.

The following table show the largest employers located in the County as of fiscal year 2017.

LARGEST EMPLOYERS
County of Riverside
2017

Rank	***Name of Business***	***Employees***	***Type of Business***
1.	County of Riverside	22,538	County Government
2.	University of California-Riverside	8,686	University
3.	March Air Reserve Base	8,500	Military Reserve Base
4.	Amazon	7,500	Distribution Center
5.	Kaiser Permanente Riverside Medical Center	5,739	Medical Center
6.	Corona-Norco Unified School District	5,399	School District
7.	Riverside Unified School District	4,236	School District
8.	Pechanga Resort and Casino	4,000	Casino & Resort
9.	Riverside University Health Systems-Medical Center	3,876	Medical Center
10.	Eisenhower Medical Center	3,665	Medical Center

Source: County of Riverside Comprehensive Annual Financial Report for the year ending June 30, 2017.

The following table summarizes the labor force, employment and unemployment figures over the past five years 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

Year and Area	*Labor Force*	*Employment*(1)	*Unemployment*(2)	*Unemployment Rate (%)*(3)
2013				
Riverside County	996,400	897,700	98,700	9.9%
California	18,625,000	16,958,400	1,666,600	8.9
United States(4)	155,389,000	143,929,000	11,460,000	7.4
2014				
Riverside County	1,013,500	930,400	83,100	8.2%
California	18,758,400	17,351,300	1,407,100	7.5
United States(4)	155,922,000	146,305,000	9,617,000	6.2
2015				
Riverside County	1,035,700	966,300	69,400	6.7%
California	18,896,500	17,724,800	1,171,100	6.2
United States(4)	157,130,000	148,834,000	8,296,000	5.3
2016				
Riverside County	1,052,600	988,200	64,500	6.1%
California	19,093,700	18,048,800	1,044,800	5.5
United States(4)	159,187,000	151,436,000	7,751,000	4.9
2017				
Riverside County	1,072,500	1,016,200	56,300	5.2%
California	19,312,000	18,393,100	918,900	4.8
United States(4)	160,320,000	153,337,000	6,982,000	4.4

(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 2017 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

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 three factory outlet malls (Desert Hills Factory Stores, Cabazon Outlets and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The tables below present taxable sales for the years 2010 through 2016 for the County.

COUNTY OF RIVERSIDE
TAXABLE SALES
2010-2016[1]
(Dollars in Thousands)

Year	*Permits*	*Taxable Transactions*
2010	45,688	$23,152,780
2011	46,886	25,641,497
2012	46,316	28,096,009
2013	46,805	30,065,467
2014	48,453	32,035,687
2015[1]	56,846	32,910,909
2016	57,771	34,231,144

(1) 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: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization

Building Activity

BUILDING PERMIT VALUATIONS
County of Riverside
2013-2017

	2013	*2014*	*2015*	*2016*	*2017*
Valuation ($000):					
Residential	$1,375,593	$1,621,751	$1,536,742	$1,759,535	$1,903,417
Non-residential	873,977	814,990	911,465	1,346,019	1,433,691
Total*	$2,249,570	$2,436,741	$2,448,207	$3,105,554	$3,337,108
Residential Units:					
Single family	4,716	5,007	5,007	5,662	6,265
Multiple family	1,427	1,931	1,189	1,039	1,070
Total	6,143	6,938	6,196	6,701	7,335

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

The following table sets forth a comparison of annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA COMPARISON OF MEDIAN HOUSING PRICES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[(1)]
2013	$411,000	$259,000	$205,000	$370,000
2014	455,000	293,000	240,000	410,000
2015	487,500	310,000	262,000	431,000
2016	520,000	332,000	284,000	457,500
2017	560,000	356,000	310,000	491,000

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: CoreLogic; DQNews.

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2013 through 2017.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA COMPARISON OF HOME FORECLOSURES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[(1)]
2013	6,469	4,191	4,088	19,470
2014	4,566	2,912	2,984	13,787
2015	3,970	2,463	2,616	11,959
2016	3,191	2,045	1,954	9,354
2017	2,316	1,453	1,641	6,968

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: CoreLogic; DQNews.

Agriculture

In 2017, principal agricultural products were nursery stock, milk, table grapes, lemons, bell peppers, hay, eggs, dates, avocados and carrots.

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, experienced a severe drought between 2011 and 2015. See "—Environmental Control Services" below. The County cannot predict the impact that a future 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 2013 through 2017.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2013	*2014*	*2015*	*2016*	*2017*
Citrus Fruits	$ 142,404,000	$ 170,891,000	$ 199,772,000	$ 200,101,000	$ 177,055,000
Trees and Vines	232,536,000	223,593,000	234,928,000	227,444,000	228,315,000
Vegetables, Melons, Misc.	340,407,000	337,404,000	327,199,000	365,157,000	331,986,000
Field and Seed Crops	154,582,000	156,575,000	122,794,000	97,184,000	96,063,000
Nursery	191,215,000	172,910,000	158,648,000	150,426,000	153,749,000
Apiculture	4,715,000	4,819,000	4,897,000	5,082,000	5,415,000
Aquaculture	2,262,000	5,078,000	5,397,000	4,624,000	4,764,000
Livestock and Poultry	259,683,000	290,746,000	260,015,000	225,758,000	221,175,000
Grand Total	$ 1,327,804,000	$ 1,362,016,000	$ 1,313,650,000	$ 1,275,776,000	$ 1,218,522,000

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 from Riverside 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. Riverside 91 Express Lanes that connect with the OCTA SR-91 Express Lanes at the Orange County/Riverside County line and continue to the Interstate 15/State Route 91 interchange opened in March 2017. When travelling along State Route 91 through Corona, vehicles are able to use either the tolled express lanes or the free general purpose lanes.

Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from nine 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 BNSF 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, servicing 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 the Ontario International Airport Authority and was transferred by the City of Los Angeles to the joint powers authority in October 2016. 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 three elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Approximately ninety percent 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 nine two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley, Palo Verde Valley, Banning and Temecula. There are also three universities located in the City of Riverside -- the University of California, Riverside ("UCR"), La Sierra University and California Baptist University. The City of Palm Desert also has a UCR campus and California State University, San Bernardino campus.