

NEW ISSUE

NOT RATED

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

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

Dated: Date of Delivery

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

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

The Series 2015 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California), and pursuant to an Indenture, dated as of August 1, 2015 (the "Indenture") by and between the Community Facilities District and U.S. Bank National Association, as trustee (the "Trustee").

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

The Series 2015 Bonds are issuable in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases may be made in principal amounts of \$5,000 or an integral multiple thereof, in book-entry form only. Purchasers of Series 2015 Bonds will not receive certificates representing their beneficial ownership of the Series 2015 Bonds but will receive credit balances on the books of their respective nominees. Interest on the Series 2015 Bonds will be payable on March 1, 2016 and semiannually thereafter on each March 1 and September 1. Principal of and interest on the Series 2015 Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who are to remit such payments to the beneficial owners of the Series 2015 Bonds. See "THE SERIES 2015 BONDS — General Provisions" and APPENDIX F — "BOOK-ENTRY AND DTC" herein.

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

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

Certain events could affect the ability of the Community Facilities District to pay the principal of and interest on the Series 2015 Bonds when due. The purchase of the Series 2015 Bonds involves significant investment risks, and the Series 2015 Bonds may not be suitable investment for many investors. See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2015 Bonds.

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

MATURITY SCHEDULE
(See Inside Cover Page)

The Series 2015 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, and subject to certain other conditions. Stradling Yocca Carlson & Rauth, a Professional Corporation, is serving as Disclosure Counsel to the Community Facilities District with respect to the Series 2015 Bonds. Certain legal matters will be passed on for the County and the Community Facilities District by County Counsel and for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as counsel to the Underwriter. It is anticipated that the Series 2015 Bonds in book-entry form will be available for delivery through the facilities of DTC on or about August 6, 2015.

Dated: July __, 2015

PiperJaffray®

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$ _____ **SERIAL BONDS**

<i>Maturity Date (September 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP No.®†</i>
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\$ _____ **TERM BONDS**

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

† Copyright © 2015 CUSIP® data in this Official Statement is provided by CUSIP Global Services managed by S&P Capital IQ, on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the Community Facilities District nor the Underwriter or its counsel take any responsibility for the accuracy of CUSIP data in this Official Statement.

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

**COUNTY OF RIVERSIDE
STATE OF CALIFORNIA**

BOARD OF SUPERVISORS

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

COUNTY OFFICIALS

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

SPECIAL SERVICES

Bond Counsel

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Los Angeles, California

Disclosure Counsel

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

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Special Tax Consultant

Albert A. Webb Associates
Riverside, California

Trustee

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the County, the Community Facilities District, the Trustee or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Series 2015 Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the County, the Community Facilities District, the Trustee or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2015 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Beneficial Owners of the Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board, or a nationally recognized municipal securities depository.

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

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

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

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

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

Cautionary Information Regarding Forward-Looking Statements in the Official Statement

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as set forth in the Continuing Disclosure Agreement, a form of which is attached as Appendix D, neither the County nor the Community Facilities District plans to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

In connection with the offering of the Series 2015 Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of such bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2015 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page hereof, and such public offering prices may be changed from time to time by the Underwriter.

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

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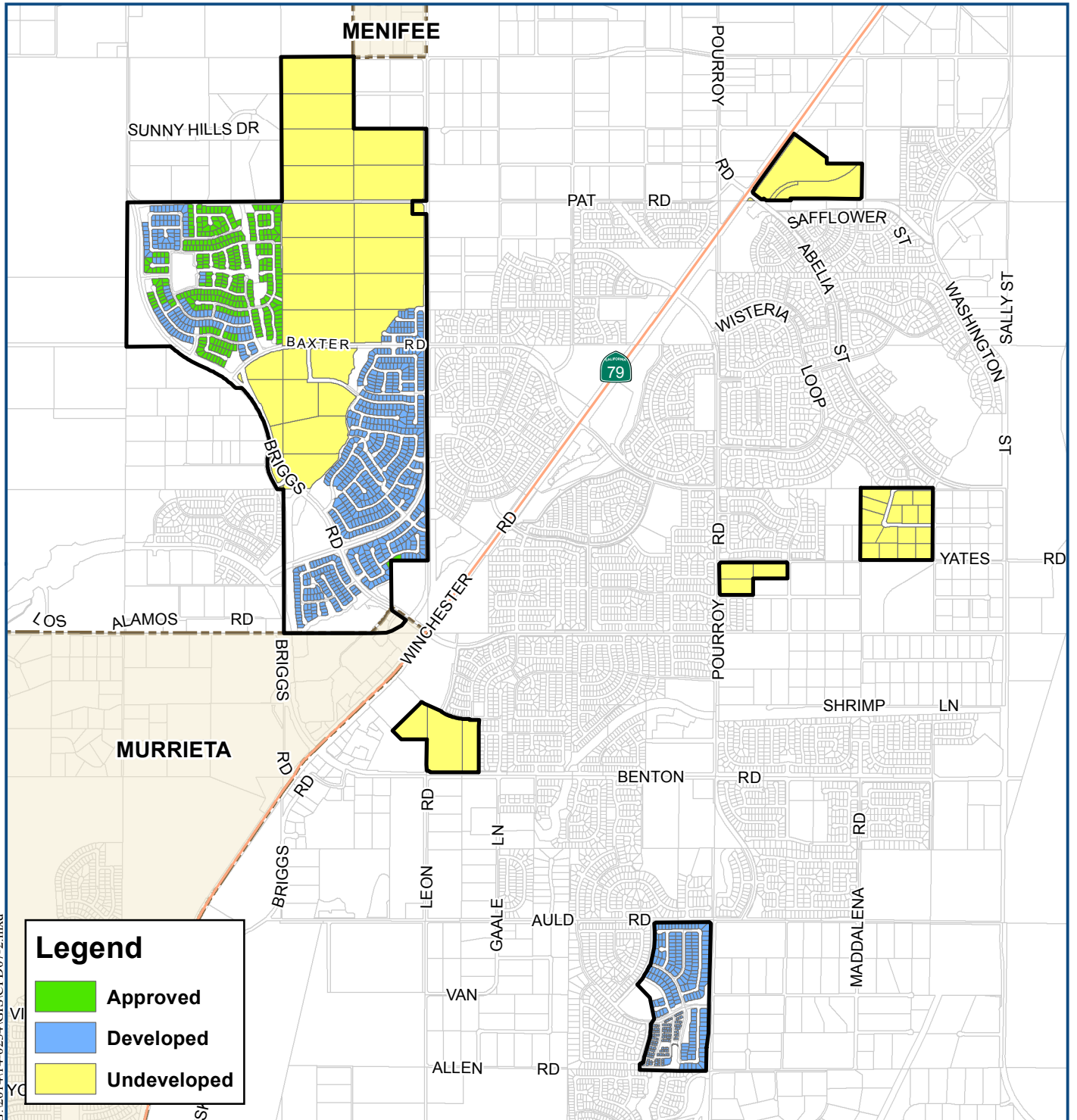
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COUNTY OF RIVERSIDE LOCATION MAP

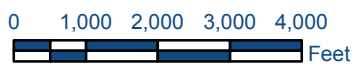
COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH)



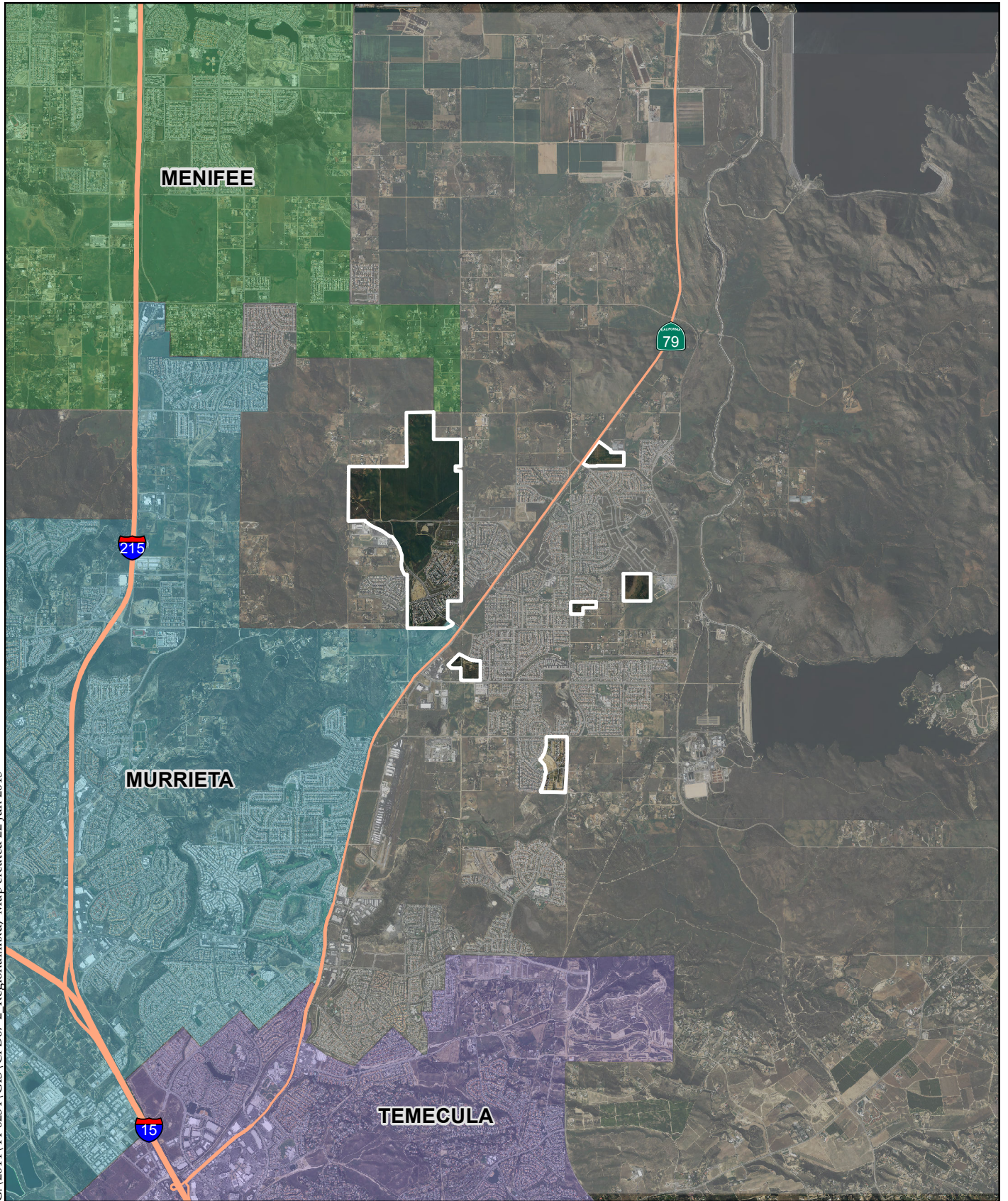
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REGIONAL MAP
CFD 07-2 (CLINTON KEITH)
ALBERT A.
WEBB
ASSOCIATES

OFFICIAL STATEMENT

\$23,950,000*

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

INTRODUCTION

General

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Series 2015 Bonds (defined below) to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined shall have the meaning set forth in Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Definitions” herein.

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

The Series 2015 Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 *et seq.* of the Government Code of the State of California) (the “Act”), and an Indenture of Trust dated as of August 1, 2015 (the “Indenture”) by and between the Community Facilities District and U.S. Bank National Association (the “Trustee”). Upon their issuance, the Series 2015 Bonds will be the only outstanding bonds of the Community Facilities District and will be secured under the Indenture by a lien on and security interest in Net Special Taxes Revenues (as defined herein) and any other amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund as described in the Indenture.

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

The Community Facilities District

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

* Preliminary, subject to change.

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

Pursuant to the Act, the Board of Supervisors of the County adopted the necessary resolutions stating its intent to establish the Community Facilities District, to authorize the levy of Special Taxes on taxable property within the boundaries of the Community Facilities District, and to have the Community Facilities District incur bonded indebtedness. Subsequently, the Board of Supervisors approved the resolution of intention to approve an amended and restated rate and method of apportionment of the Special Taxes for the Community Facilities District (the "Rate and Method"). Following public hearings conducted pursuant to the provisions of the Act, the Board of Supervisors of the County adopted resolutions establishing the Community Facilities District and calling special elections to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the Community Facilities District. On June 18, 2007, at an election held pursuant to the Act, the landowners who comprised the qualified voters of the Community Facilities District, authorized the Community Facilities District to incur bonded indebtedness in an aggregate principal amount not to exceed \$60,000,000 and approved the Rate and Method to pay the principal of and interest on the bonds of the Community Facilities District. The Rate and Method is set forth in APPENDIX A hereto. The Board of Supervisors of the County acts as the legislative body of the Community Facilities District.

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

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

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

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

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

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

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

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

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

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

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

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

Security and Sources of Payment for the Series 2015 Bonds

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

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

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

^{*} Preliminary, subject to change.

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

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

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

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

Description of the Series 2015 Bonds

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

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

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

Tax Matters

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

Professionals Involved in the Offering

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

For information concerning the respects in which certain of the above-mentioned professionals, advisors, counsel and agents may have a financial or other interest in the offering of the Series 2015 Bonds, see “LEGAL MATTERS — Financial Interests” herein.

Continuing Disclosure

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

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

Bond Owners’ Risks

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

Other Information

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

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

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

SOURCES AND USES OF FUNDS

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

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

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

THE SERIES 2015 BONDS

Authority for Issuance

The Series 2015 Bonds will be issued pursuant to the Act, the Indenture and the Resolution Authorizing Issuance of the Series 2015 Bonds adopted by the Board of Supervisors of the County of Riverside, acting as the legislative body of the Community Facilities District (the “Legislative Body”), on July 7, 2015, as Resolution No. 2015-08.

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

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

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

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

Landowner Election and Declaration of Results: On June 18, 2007, a special election was held within the Community Facilities District, in which the landowners eligible to vote, being the qualified electors, approved the ballot proposition to incur bonded indebtedness in a maximum amount of \$60,000,000, to levy a special tax within the Community Facilities District and to establish an appropriations limit for the Community Facilities District.

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

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

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

General Provisions

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

commencing on March 1, 2016 (each, an “Interest Payment Date”), and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The Series 2015 Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiples thereof. So long as the Series 2015 Bonds are held in book-entry form, principal and interest on the Series 2015 Bonds will be paid to DTC for subsequent disbursement to DTC Participants who are to remit such payments to the Beneficial Owners in accordance with DTC procedures. See Appendix F — “BOOK-ENTRY AND DTC.”

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

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

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

Debt Service Schedule

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

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

Source: Underwriter.

Redemption

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

* Preliminary, subject to change.

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

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

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

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

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

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

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

(maturity)

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

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

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

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

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

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

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

Registration, Transfer and Exchange

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

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS

Covenants and Warranties

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

Special Obligations

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

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

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

EXCEPT FOR THE NET SPECIAL TAX REVENUES AND AMOUNTS HELD IN THE SPECIAL TAX FUND, THE BOND FUND AND THE RESERVE FUND, NO OTHER FUNDS ARE PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS. THE SERIES 2015 BONDS ARE NOT GENERAL OR

SPECIAL OBLIGATIONS OF THE COUNTY BUT ARE SPECIAL OBLIGATIONS OF THE COMMUNITY FACILITIES DISTRICT PAYABLE SOLELY FROM THE NET SPECIAL TAX REVENUES AND AMOUNTS HELD IN THE SPECIAL TAX FUND, THE BOND FUND AND THE RESERVE FUND UNDER THE INDENTURE AS MORE FULLY DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMUNITY FACILITIES DISTRICT (EXCEPT TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE), THE COUNTY, OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2015 BONDS.

Collection of Special Taxes

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

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

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

Rate and Method

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

The qualified electors of the Community Facilities District approved the Rate and Method at an election held on June 18, 2007.

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

Special Tax Requirement. The Special Tax Requirement is defined in the Rate and Method as the amount required in each Fiscal Year to pay: (i) annual debt service on all Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction costs of facilities authorized to be financed by the Community Facilities District, provided such amount does not cause an increase in the Special Tax levy on Approved Property or Undeveloped Property;

and (vi) any amounts required to establish or replenish any reserve funds for the Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

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

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

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

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

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied on each Parcel of Approved Property and/or Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

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

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

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

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

(i) "Approved Property" means, for each Fiscal Year, all parcel(s), lot(s) or units(s) of Taxable Property not classified as Public Property or Property Owners' Association Property: (i) that are included in a

Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a Building Permit prior to the April 1st preceding said Fiscal Year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Backup Special Tax.

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

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

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

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

(v) If the number of RDUs of Multifamily Property in a specific Final Map is subsequently changed or modified, then the Backup Special Tax shall be recalculated for each RDU of Multifamily Property within the changed or modified area of said Final Map such that the modified Backup Special Tax for each

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

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

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

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

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

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

No Obligation of the County Upon Delinquency

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

Coverage and Source of Annual Debt Service

Annual debt service on the Series 2015 Bonds is payable from Net Special Tax Revenues levied and collected on property categorized as Taxable Property in the Community Facilities District in each Fiscal Year. Based on the development status within the Community Facilities District as of April 1, 2015, assuming no

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

Proceeds of Foreclosure Sales

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

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of any Special Tax or receipt by the Community Facilities District of Special Taxes in an amount which is less than the Special Tax levied, the Board of Supervisors of the County, as the legislative body of the Community Facilities District, may order that Special Taxes be collected by a superior court action to foreclose the lien within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Under the Act, the commencement of judicial foreclosure following the nonpayment of a Special Tax is not mandatory. However, the Community Facilities District will covenant in the Indenture with and for the benefit of the Owners of the Series 2015 Bonds that the Community Facilities District will commence appropriate judicial foreclosure proceedings against parcels with total Special Tax delinquencies in excess of \$5,000 (not including interest and penalties thereon) by the October 1 following the close of each Fiscal Year in which the last of such Special Taxes were due and will commence appropriate judicial foreclosure proceedings against all parcels with delinquent Special Taxes by the October 1 following the close of each Fiscal Year in which it receives Special Taxes in an amount which is less than 95% of the total Special Taxes levied in such Fiscal Year, and diligently pursue to completion such foreclosure proceedings. However, notwithstanding the foregoing, the Community Facilities District may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys' fees related to a Special Tax delinquency, if permitted by law. Additionally, notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Special Tax delinquency and in such cases foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost. See Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Covenants” herein.

If foreclosure is necessary and other funds (including amounts in the Reserve Fund) have been exhausted, debt service payments on the Series 2015 Bonds could be delayed until the foreclosure proceedings

have ended with the receipt of any foreclosure sale proceeds. Judicial foreclosure actions are subject to the normal delays associated with court cases and may be further slowed by bankruptcy actions, involvement by agencies of the federal government and other factors beyond the control of the County and the Community Facilities District. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay” herein. Moreover, no assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. See “SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios” herein. Although the Act authorizes the Community Facilities District to cause such an action to be commenced and diligently pursued to completion, the Act does not impose on the Community Facilities District or the County any obligation to purchase or acquire any lot or parcel of property sold at a foreclosure sale if there is no other purchaser at such sale. The Act provides that, in the case of a delinquency, the Special Tax will have the same lien priority as is provided for *ad valorem* taxes.

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

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

Special Taxes Are Not Within Teeter Plan

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

Tender for Bonds

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

Special Tax Fund

The Trustee shall establish and maintain a separate fund designated the “Special Tax Fund.” As soon as practicable after the receipt by the Community Facilities District of any Special Tax Revenues, the Community Facilities District shall transfer such Special Tax Revenues to the Trustee for deposit in the Special Tax Fund; provided, however, that with respect to any Special Tax Revenues that represent prepaid Special Taxes that are to be applied to the redemption of the Bonds in accordance with the provisions of the

Indenture, said prepaid Special Taxes shall be identified as such in a Written Certificate of the Community Facilities District delivered to the Trustee at the time such prepaid Special Taxes are transferred to the Trustee, the portion of such prepaid Special Taxes to be applied to the Redemption Price of the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District and shall be deposited by the Trustee in the Redemption Fund and the portion of such prepaid Special Taxes to be applied to the payment of interest on the Bonds to be so redeemed shall be identified in such Written Certificate of the Community Facilities District and shall be deposited by the Trustee in the Bond Fund.

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

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

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

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

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

Bond Fund

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

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

In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Bond Fund. In the event that, on an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall apply available funds therein in accordance with the provisions of the Indenture relating to the application of Net Special Tax Revenues upon a default. See Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — Events of Default and Remedies — Application of Net Special Tax Revenues After Default.”

Redemption Fund

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

Reserve Fund

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

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

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

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

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

Administrative Expense Fund

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

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

Improvement Fund

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

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

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

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

Additional Bonds

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

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

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

CFD Bonds on parcels of Taxable Property, and the denominator of which is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

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

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

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

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

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

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

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

THE COMMUNITY FACILITIES DISTRICT

General Description

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

As of April 1, 2015, the Community Facilities District contains 1,479 taxable parcels, of which pursuant to the Rate and Method 1,068 parcels are classified as Developed Property (taxable property for

which a final map has been recorded and a building permit has been obtained as of April 1 for the following fiscal year tax levy), 357 parcels are classified as Approved Property (taxable property for which a final map has been recorded but for which a building permit has not been obtained as of April 1 for the following fiscal year special tax levy), and 54 parcels representing approximately 457.02 acres are classified as Undeveloped Property (taxable property for which no final map has been recorded and no building permit obtained as of January 1 for the following fiscal year special tax levy), all as pursuant to the Rate and Method of Apportionment.

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

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

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

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

* Preliminary, subject to change.

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

Description of Authorized Facilities; Facilities Financing Plan

Proceeds of the Series 2015 Bonds and Additional Bonds may be used to finance the Facilities as authorized at the June 18, 2007, election within the Community Facilities District which include: bridge facilities, and appurtenances thereto, street improvements, including grading, paving, curbs and gutters, sidewalks, street signalization and signage, street lights and parkway and landscaping related thereto, and storm drain facilities, environmental mitigation facilities needed in connection therewith, and land, rights-of-way and easements necessary for any of such facilities. Facilities include related administrative expenses, costs related to the acquisition of land for the construction of the road improvements and appurtenances, and related facilities or land or interests in land required to be provided as mitigation of environmental impacts associated with the development of the Facilities.

Land Use Status and Approvals

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

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

As of April 1, 2015, final tract maps had been recorded for approximately 12 tracts within 5 separate projects within the Community Facilities District totaling 247.24 acres upon which approximately 1,425 residential units are proposed to be built on the property currently classified as Developed Property and Approved Property (does not include the approximately 457 acres of Undeveloped Property described below). As of April 1, 2015, within the Community Facilities District, there are 890 single family residential units and 113 multi-family residential units which have been completed and conveyed to individual homeowners, and 65 single family attached and detached units which are either under construction or completed but still owned by the developer developing such units. All of such units will be classified as "Developed Property" under the Rate and Method for the Fiscal Year 2015-16.

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

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

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

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

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

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

Environmental Approvals and Permits

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

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

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

Estimated Direct and Overlapping Indebtedness

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

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

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

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

I. ASSESSED VALUE

FISCAL YEAR 2015-16 ASSESSED VALUATION⁽¹⁾

\$373,245,379

II. SECURED PROPERTY TAX ROLL

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

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

1.83%

III. LAND SECURED BOND INDEBTEDNESS

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

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

TOTAL OUTSTANDING AND UNISSUED LAND SECURED INDEBTEDNESS

\$ 91,960,481*

IV. GENERAL OBLIGATION BOND INDEBTEDNESS

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

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

V. RATIOS TO 2015-2016 ASSESSED VALUATION

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

* Preliminary, subject to change.

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

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

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

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

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

Source: Albert A. Webb Associates.

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

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

Expected Tax Burden

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

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

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

⁽¹⁾ Reflects aggregate projected Fiscal Year 2015-16 assessed value for properties of individually owned Developed Property as of April 1, 2015.

⁽²⁾ Reflects actual aggregate amounts applied for Fiscal Year 2014-15 for individually owned Developed Properties. All parcels of Developed Property may not be subject to all listed overlapping ad valorem, assessment, special tax and parcel charges listed. May not reflect all overlapping assessments within the Boundaries of CFD 07-2.

⁽³⁾ Projected Special Tax is based on aggregate Fiscal Year 2015-16 Developed Assigned Special Tax Rate for all parcels of individually owned Developed Property.

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

Estimated Assessed Value-to-Lien Ratios

Table 4 below sets forth the estimated assessed value-to-lien ratios for various categories of property ownership within the Community Facilities District based upon ownership status as of June 22, 2015, and the preliminary assessed values to be included on the Fiscal Year 2015-16 Assessor's roll. The preliminary assessed value of the taxable parcels within the Community Facilities District for Fiscal Year 2015-16 is \$373,245,379, of which, the preliminary assessed value from property classified as Developed Property for Fiscal Year 2015-16 is \$336,414,592. The estimated assessed value-to-lien ratio of the Developed Property, Approved Property, and Undeveloped Property within the Community Facilities District based upon the preliminary assessed values to be included on the Fiscal Year 2015-16 Assessor's roll and the allocated principal amount of the Series 2015 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the Community Facilities District (but excluding other overlapping general obligation debt within the Community Facilities District) is approximately 8.51*-to-1. The estimated assessed value-to-lien ratio of the Developed Property, Approved Property, and Undeveloped Property within the Community Facilities District based upon the preliminary assessed values to be included on the Fiscal Year 2015-16 Assessor's roll and the allocated principal amount of the Series 2015 Bonds, overlapping debt payable from other taxes and assessments levied on the property within the Community Facilities District (and including other overlapping general obligation debt within the Community Facilities District) is approximately 6.50*-to-1. Because a parcel's assessed value generally represents the lower of its acquisition cost and adjustments for inflation (but not more than 2% per year) or its current market value, it may not be indicative of the parcel's market value. No assurance can be given that any of the value-to-lien ratios in Table 4 will be maintained during the period of time that the Series 2015 Bonds are outstanding. The Community Facilities District does not have any control over future property values or the amount of additional indebtedness that may be issued in the future by other public agencies, the payment of which is made through the levy of a tax or an assessment with a lien on a parity with the Special Taxes. See "SPECIAL RISK FACTORS — Property Values; Value-to-Lien Ratios."

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

* Preliminary, subject to change.

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

<i>Classification</i>	<i>No. of Parcels</i>	<i>Acreage</i>	<i>Assessed Value⁽¹⁾</i>	<i>% of Assessed Value⁽¹⁾</i>	<i>Estimated Series 2015 Bonds^{(2)*}</i>	<i>Other Overlapping Land Secured Debt⁽³⁾</i>	<i>Aggregate Outstanding Land Secured Debt[*]</i>	<i>Value- to-Lien Ratio[*]</i>	<i>Current Maximum Special Tax</i>	<i>% of Maximum Special Tax</i>	<i>Fiscal Year 2015-16 Projected Special Tax^{(4)*}</i>	<i>% of Applied Special Tax[*]</i>
Developed Property:												
Individually Owned	1,003	168.89	\$ 328,671,066	88.06%	\$ 21,036,847	\$ 19,450,409	\$ 40,487,256	8.12:1	\$ 1,199,426	22.87%	\$ 1,199,426	87.84%
Owned KB Homes	56	10.57	5,180,370	1.39	1,207,179	0	1,207,179	4.29:1	68,828	1.31	68,828	5.04
Owned Richmond America	7	1.02	2,368,997	0.63	150,897	464,235	615,132	3.85:1	8,603	0.16	8,603	0.63
Owned DR Horton	2	0.40	194,159	0.05	37,894	10,034	47,928	4.05:1	2,161	0.04	2,161	0.16
Subtotal Developed Property	1,068	180.88	\$ 336,414,592	90.13%	\$ 22,432,818	\$ 19,924,678	\$ 42,357,496	7.94:1	\$ 1,279,018	24.39%	\$ 1,279,018	93.67%
Approved Property:												
KB Homes	355	65.74	\$ 7,396,014	1.99%	\$ 1,508,682	\$ 0	\$ 1,508,682	4.90:1	\$ 436,320	8.32%	\$ 86,018	6.30%
Saba Saba	2	0.62	54,636	0.01	8,500	0	8,500	6.43:1	2,458	0.05	485	0.04
Subtotal Approved Property	357	66.36	\$ 7,450,650	2.00%	\$ 1,517,182	\$ 0	\$ 1,517,182	4.91:1	\$ 438,778	8.37%	\$ 86,503	6.33%
Subtotal Developed and Approved Property	1,425	247.24	\$ 343,865,242	92.13%	\$ 23,950,000	\$ 19,924,678	\$ 43,874,678	7.84:1	\$ 1,717,796	32.75%	\$ 1,365,521	100.00%
Undeveloped Property ⁽⁵⁾	54	457.02	\$ 29,380,137	7.87%	0	0	0	N/A	\$ 3,526,618	67.25%	0	0.00%
TOTAL	1,479	704.26	\$ 373,245,379	100%	\$ 23,950,000	\$ 19,924,678	\$ 43,874,678	8.51:1	\$ 5,244,414	100.00%	\$ 1,365,521	100.00%

* Preliminary, subject to change.

(1) Reflects the preliminary Fiscal Year 2015-16 assessed value as of January 1, 2014 and based on ownership status as of June 22, 2015.

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

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

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

(5) None of the principal amount of the Series 2015 Bonds has been allocated to Undeveloped Property until such parcels become Developed Property under the Rate and Method or Additional Bonds are issued. Special Taxes are not expected to be levied on Undeveloped Property.

Source: Albert A. Webb Associates.

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

<i>Value-to-Lien</i>	<i>Parcels⁽¹⁾</i>	<i>% of Total Parcels</i>	<i>Projected Fiscal Year 2015-16 Special Tax⁽²⁾</i>	<i>% of Applied Special Tax</i>	<i>Assessed Value⁽³⁾</i>	<i>% of Assessed Value</i>	<i>Aggregate Outstanding Debt*</i>	<i>% of Aggregate Outstanding Debt</i>
Less than 3.00:1	71 ⁽⁴⁾	4.98%	\$ 87,264	6.39%	\$ 1,521,123	0.44%	\$ 1,592,724	3.63%
Between 3.01 - 7.00:1	577	40.49	356,898	26.14	75,990,356	22.10	12,940,269	29.49
Between 7.01 - 10.00:1	599	42.04	714,191	52.30	202,034,449	58.75	24,708,143	56.32
Between 10.01 - 13.00:1	77	5.40	88,984	6.52	27,237,861	7.92	2,537,728	5.78
Between 13.01 - 16.00:1	20	1.40	23,391	1.71	6,242,978	1.82	433,229	0.99
Between 16.01 - 19.00:1	54	3.79	61,608	4.51	19,163,241	5.57	1,080,552	2.46
Greater than 19.01:1	27	1.89	33,185	2.43	11,675,234	3.40	582,033	1.33
Totals	1,425	100.00%	\$ 1,365,521	100.00%	\$ 343,865,242	100.00%	\$ 43,874,678	100.00%

* Preliminary, subject to change.

(1) Includes only Developed and Approved parcels.

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

(3) Preliminary Fiscal Year 2015-16 assessed valuation for Developed Property and Approved Property. Special Taxes are not expected to be levied on Undeveloped Property within the Community Facilities District until such parcels become Developed Property under the Rate and Method or Additional Bonds are issued.

(4) Of the 71 parcels in the Less than 3.00:1 category, no parcels have a preliminary Fiscal Year 2015-16 assessed value-to-lien above 1.19:1 and the lowest value-to-lien is 0.69:1. Forty-six of such parcels have no structure value, based on the preliminary Fiscal Year 2015-16 assessed valuation, but are nonetheless classified as Developed Property under the Rate and Method for Fiscal Year 2015-16 due to building permits being issued prior to April 1, 2015. Eleven of such parcels are individually owned, and 35 are developer owned. Since the date of this Table, as of July 6, 2015, the remaining 25 parcels have increased to an average assessed value for Fiscal Year 2015-16 of \$347,446 versus a previous average assessed value of \$23,825 for Fiscal Year 2015-16.

Source: Albert A. Webb Associates.

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

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

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

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

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

Source: Riverside County Assessor.

Largest Taxpayers

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

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

<i>Owner</i>	<i>No. of Developed Property Parcels⁽¹⁾</i>	<i>No. of Approved Property Parcels⁽²⁾</i>	<i>Total No. of Parcels⁽³⁾</i>	<i>No. of Acres</i>	<i>Preliminary Fiscal Year 2015-16 Assessed Land Value</i>	<i>Preliminary Fiscal Year 2015-16 Assessed Structure Value</i>	<i>Total Preliminary Fiscal Year 2015-16 Assessed Value⁽⁴⁾</i>	<i>% of Preliminary Fiscal Year 2015-16 Assessed Value⁽⁴⁾</i>	<i>Estimated Series 2015 Bonds^{(5)*}</i>	<i>Other Overlapping Debt⁽⁶⁾</i>	<i>Aggregate Outstanding Debt[*]</i>	<i>Value- to-Lien Ratio[*]</i>	<i>Current Maximum Special Tax</i>	<i>% of Maximum Special Tax</i>	<i>Fiscal Year 2015-16 Projected Special Tax⁽⁷⁾</i>	<i>% of Applied Special Tax</i>
KB Homes	56	355	411	76.31	\$ 8,654,236	\$ 3,922,148	\$ 12,576,384	3.66%	\$ 2,715,862	\$ 0	\$ 2,715,862	4.63:1	\$ 505,148	29.41%	\$ 154,846	11.34%
Richmond	7	0	7	1.02	405,097	1,963,900	2,368,997	0.69	150,897	464,235	615,132	3.85:1	8,603	0.50	8,603	0.63
American Homes																
Individual Owner	2	0	2	0.41	142,028	487,793	629,821	0.18	43,114	56,458	99,571	6.33:1	2,458	0.14	2,458	0.18
DR Horton Homes	2	0	2	0.40	27,407	166,752	194,159	0.06	37,894	10,034	47,928	4.05:1	2,161	0.13	2,161	0.16
Saba Saba	0	2	2	0.62	54,636	0	54,636	0.02	8,500	0	8,500	6.43:1	2,458	0.14	485	0.04
SUBTOTAL	67	357	424	78.76	\$ 9,283,404	\$ 6,540,593	\$ 15,823,997	4.60%	\$ 2,956,266	\$ 530,727	\$ 3,486,993	4.54:1	\$ 520,828	30.32%	\$ 168,553	12.34%
ALL OTHERS	1,001	0	1,001	168.48	68,324,528	259,716,717	328,041,245	95.40	20,993,734	19,393,951	40,387,685	8.12:1	1,196,968	69.68	1,196,968	87.66
TOTAL	1,068	357	1,425	247.24	\$77,607,932	\$266,257,310	\$343,865,242	100.00%	\$23,950,000	\$19,924,678	\$43,874,678	7.84:1	\$1,717,795	100.00%	\$1,365,521	100.00%

* Preliminary, subject to change.

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

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

(3) Does not include Undeveloped Property. Special Taxes are not expected to be levied on Undeveloped Property.

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

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

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

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

Source: Albert A. Webb Associates.

Delinquency History

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

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

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

Source: Albert A. Webb Associates.

SPECIAL RISK FACTORS

In addition to the other information contained in this Official Statement, the following risk factors should be carefully considered in evaluating the investment quality of the Series 2015 Bonds. The Community Facilities District cautions prospective investors that this discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Series 2015 Bonds. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the Community Facilities District to pay their Special Taxes when due. Any such failure to pay Special Taxes could result in the inability of the Community Facilities District to make full and punctual payments of debt service on the Series 2015 Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the Community Facilities District.

Risks of Real Estate Secured Investments Generally

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

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

Concentration of Ownership

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

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

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

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

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

Failure to Develop Properties

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

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

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

Special Taxes Are Not Personal Obligations

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

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

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

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

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

Property Values; Value-to-Lien Ratios

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

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

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

No assurance can be given that any bid will be received for a parcel with delinquent Special Taxes offered for sale at foreclosure or, if a bid is received, that such bid will be sufficient to pay all delinquent Special Taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales."

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

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

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

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

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

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

Effect of Additional Bonds on Credit Quality

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

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

Disclosure to Future Purchasers

The Community Facilities District has recorded a Notice of Special Tax Lien, in the Office of the Riverside County Recorder on June 21, 2007 as Document No. 2007-0405337. While title companies normally refer to such notices in title reports, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser or lender will consider such Special Tax obligation in the purchase of a parcel of land or a home in the Community Facilities District or the lending of money thereon. The Act requires the subdivider (or its agent or representative) of a subdivision to notify a prospective purchaser or long-term lessor of any lot, parcel, or unit subject to a Mello-Roos special tax of the existence and maximum

amount of such special tax using a statutorily prescribed form. California Civil Code Section 1102.6b requires that in the case of transfers other than those covered by the above requirement, the seller must at least make a good faith effort to notify the prospective purchaser of the special tax lien in a format prescribed by statute. Failure by an owner of the property to comply with the above requirements, or failure by a purchaser or lessor to consider or understand the nature and existence of the Special Tax, could adversely affect the willingness or ability of the purchaser or lessor to pay the Special Tax when due.

Local, State and Federal Land Use Regulations

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

Water Availability

All of the Developed Property within the Community Facilities District has access to sufficient water for its intended use. However, the continued development of the land within the Community Facilities District is dependent upon the availability of water. The Community Facilities District receives a significant portion of its water from Eastern Municipal Water District (“EMWD”). EMWD is now in Stage 4 of its Water Shortage Contingency Plan and is asking all its customers to reduce outdoor watering by 50%. Customer impact will vary depending on conservation efforts. In addition to requiring that EMWD customers reduce their outdoor watering by 50%, EMWD has also reduced its conservation factor (“CF”) for new construction from 0.7 CF to 0.5 CF, which requires that plants for new construction homes be on a drip system with minimal turf. Such conservation factor could be adjusted for justified functional turf purposes only with pre-approval from EMWD. However, EMWD has no current plans to restrict or delay additional water connections for new construction. See “— Factors Affecting Parcel Values and Aggregate Value — *State of Emergency Proclamation Regarding Drought.*”

The Community Facilities District believes that EMWD will be able to provide water to the Community Facilities District to permit the construction of the additional planned units within the Community Facilities District. No assurance can be given, however, that water service will be available and the lack of water availability could adversely affect future development in the Community Facilities District. A slowdown or stoppage in future development within the Community Facilities District may reduce the willingness or ability of owners of such property being developed to make Special Tax payments on undeveloped property and could greatly reduce the value of such property in the event it has to be foreclosed upon.

Endangered and Threatened Species

It is illegal to harm or disturb species that have been listed as threatened or endangered by the U.S. Fish & Wildlife Service under the Federal Endangered Species Act or by the California Fish & Game Commission under the California Endangered Species Act without a permit. Thus, the presence of an

endangered plant or animal could delay development of or reduce the value of undeveloped property in the Community Facilities District. Failure to develop the undeveloped property in the Community Facilities District or substantial delays in the completion of the development of the property may increase the amount of Special Taxes to be paid by the owners of undeveloped property and affect the willingness and ability of the owners of property within the Community Facilities District to pay the Special Taxes when due.

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

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of Taxable Property, other less common claims may occur. One of the most serious in terms of the potential reduction in the value of the parcels within the Community Facilities District is a claim with regard to hazardous substances. In general, the owners and operators of parcels within the Community Facilities District may be required by law to remedy conditions of the parcels related to the releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substances condition of a property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any parcel within the Community Facilities District be affected by a hazardous substance, would be to reduce the marketability and value of the parcel by the costs of remedying the condition, because the owner (or operator) is obligated to remedy the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling or disposing of it. All of these possibilities could significantly affect the financial and legal ability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

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

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

Insufficiency of the Special Tax

The principal source of payment of principal of and interest on the Series 2015 Bonds is the proceeds of the annual levy and collection of the Special Tax against property within the Community Facilities District. The annual levy of the Special Tax is subject to the maximum tax rates authorized and under the Rate and Method, under no circumstances shall the Special Taxes levied against any Parcel of Developed Property that

is Residential Property be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the Community Facilities District by more than ten percent (10%). The levy cannot be made at a higher rate even if the failure to do so means that the estimated proceeds of the levy and collection of the Special Tax, together with other available funds, will not be sufficient to pay debt service on the Series 2015 Bonds. Other funds which might be available include funds derived from the payment of penalties on delinquent Special Taxes and funds derived from the tax sale or foreclosure and sale of parcels on which levies of the Special Tax are delinquent.

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

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

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

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

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

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

Special Tax Delinquencies

Under provisions of the Act, the Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Series 2015 Bonds are derived, are customarily billed to the properties within the Community Facilities District on the *ad valorem* property tax bills sent to owners of such properties. The Act currently provides that such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do *ad valorem* property tax installments.

See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales,” for a discussion of the provisions which apply, and procedures which the Community Facilities District is obligated to follow under the Indenture, in the event of delinquencies in the payment of Special Taxes. See “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay” below, for a discussion of the policy of the Federal Deposit Insurance Corporation regarding the payment of special taxes and assessments and limitations on the Community Facilities District’s ability to foreclose on the lien of the Special Taxes in certain circumstances.

Exempt Properties

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

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

Depletion of Reserve Fund

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

Potential Delay and Limitations in Foreclosure Proceedings

The payment of property owners’ taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings, may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales” and “SPECIAL RISK FACTORS — Bankruptcy and Foreclosure Delay” herein. In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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

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

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

Funds Invested in the County Investment Pool

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

No Acceleration Provision

The Series 2015 Bonds do not contain a provision allowing for the acceleration of the Series 2015 Bonds in the event of a payment default or other default under the terms of the Series 2015 Bonds or the Indenture or in the event interest on the Series 2015 Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Indenture and further subject to the prior lien of owners of Series 2015 Bonds, an owner is given the right for the equal benefit and protection of all owners of a series similarly

situated to pursue certain remedies described in Appendix C — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Bankruptcy and Foreclosure Delay

Bankruptcy, insolvency and other laws generally affecting creditors rights could adversely impact the interests of Beneficial Owners of the Series 2015 Bonds. The payment of property owners’ taxes and the ability of the Community Facilities District to foreclose the lien of a delinquent unpaid Special Tax pursuant to its covenant to pursue judicial foreclosure proceedings may be limited by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales.” In addition, the prosecution of a foreclosure could be delayed due to many reasons, including crowded local court calendars or lengthy procedural delays.

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

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled In re Glasply Marine Industries. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. Although the court upheld the priority of unpaid taxes imposed before the bankruptcy petition, unpaid taxes imposed after the filing of the bankruptcy petition were declared to be “administrative expenses” of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was able to foreclose on the property and retain all the proceeds of the sale except the amount of the pre-petition taxes.

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

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

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

The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds (including Bond Counsel’s approving legal opinion) will be qualified, as to the enforceability of the various

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

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

FDIC/Federal Government Interests in Properties

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

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

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

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

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

the parcel (including Special Taxes), the applicable state and local governments cannot foreclose on the parcel to collect the delinquent taxes and assessments.

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

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

Factors Affecting Parcel Values and Aggregate Value

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

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

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

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

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

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

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

Billing of Special Taxes

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

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

Inability to Collect Special Taxes

In order to pay debt service on the Series 2015 Bonds, it is necessary that the Special Tax levied against land within the Community Facilities District be paid in a timely manner. The Community Facilities District has covenanted in the Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the Series 2015 Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the owners of the Series 2015 Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the Community Facilities District to cause such an action to be commenced and diligently pursued to completion, the Act does not obligate the Community Facilities District to purchase or otherwise acquire any lot or parcel of property sold at the

foreclosure sale if there is no other purchaser at such sale. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Proceeds of Foreclosure Sales.”

Proposition 218

An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C and Article XIII D to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” The provisions of the Initiative as they may relate to community facilities districts are subject to interpretation by the courts. The Initiative could potentially impact the Special Taxes available to the Community Facilities District to pay the principal of and interest on the Series 2015 Bonds as described below.

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

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

Accordingly, although the matter is not free from doubt, it is likely that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the Series 2015 Bonds.

It may be possible, however, for voters or the Board of Supervisors of the County acting as the legislative body of the Community Facilities District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the Series 2015 Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the Series 2015 Bonds. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Nevertheless, to the maximum extent that the law permits it to do so, the Community Facilities District will covenant in the Indenture that it will not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Series 2015 Bonds. The Community Facilities District also will covenant in the Indenture that, if an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Series 2015 Bonds, the Community Facilities District will, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Series 2015 Bonds. However, no assurance can be given as to the enforceability of the foregoing covenants.

With respect to the approval of the Special Taxes, on August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One, issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997) (the “San Diego Decision”). The case involved a Convention Center Facilities District (the

“CCFD”) established by the City of San Diego (the “City”). The CCFD is a financing district much like a community facilities district established under the provisions of the Act. The CCFD is comprised of all of the real property in the entire City. However, the special tax to be levied within the CCFD was to be levied only on hotel properties located within the CCFD.

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

The facts of the San Diego Decision show that there were hundreds of thousands of registered voters within the CCFD (viz., all of the registered voters in the City). The election held in the Community Facilities District had no registered voters within the Community Facilities District at the time of the election to authorize the Special Tax. In the San Diego Decision, the Court expressly stated that it was not addressing the validity of landowner voting to impose special taxes pursuant to the Act in situations where there are fewer than 12 registered voters. Thus, by its terms, the Court’s holding does not apply to the Special Tax election in the Community Facilities District. Moreover, Section 53341 of the Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax...shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Act provides that any action to determine the validity of bonds issued pursuant to the Act be brought within 30 days of the voters approving the issuance of such bonds. Voters within the Community Facilities District approved the Special Tax and the issuance of bonds on June 18, 2007. Based on Sections 53341 and 53359 of the Act and analysis of existing laws, regulations, rulings and court decisions, Bond Counsel is of the opinion that no successful challenge to the Special Tax being levied in accordance with the Rate and Method may now be brought.

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

Ballot Initiatives; State Legislation

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

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2015 Bonds or, if a secondary market exists, that the Series 2015 Bonds can be sold at all or for any particular price. Although the Community Facilities District has committed to provide certain financial and operating information on an

annual basis, there can be no assurance that such information will be available to Beneficial Owners of the Series 2015 Bonds on a timely basis. See “CONTINUING DISCLOSURE.” The failure to provide the required annual financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

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

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

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

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

Limitations on Remedies

Remedies available to the Beneficial Owners of the Series 2015 Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Series 2015 Bonds or to preserve the tax-exempt status of the Series 2015 Bonds.

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

to acceleration. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Beneficial Owners of the Series 2015 Bonds.

CONTINUING DISCLOSURE

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

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

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

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

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

Some specific examples of such failures include:

(a) With respect to the County’s community facilities districts, Community Facilities District No. 03-1 (Newport Road) of the County filed its annual report approximately 122 days after the filing deadline in fiscal year 2010-11, approximately 15 days after the filing deadline in fiscal year 2012-13, and approximately 90 days after the filing deadline in fiscal year 2013-14. Community Facilities District No. 89-4 also filed its annual report for fiscal year 2010-11 200 days after the filing deadline.

(b) With respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), no filings were submitted to the MSRB for Fiscal Years 2009-10 through

2012-13, and with respect to certain redevelopment issuances involving the Riverside County Public Financing Authority, no filings were made to the MSRB in fiscal years 2010-11, 2011-12 and 2012-13. The Housing Authority of the County of Riverside submitted to EMMA the financial statements of the Redevelopment Agency of the City of Corona for fiscal years 2009-10 through 2012-13 on May 21, 2014.

(c) The Riverside County Public Financing Authority filed its annual reports for fiscal years 2010-11 through 2012-13 late with respect to its 2004 Tax Allocation Revenue Bonds (County of Riverside Redevelopment Project), 2005 Tax Allocation Revenue Bonds (County of Riverside Redevelopment Projects), 2006 Series A Tax Allocation Revenue Bonds (Jurupa Valley, Desert Communities and Interstate 215 Corridor Redevelopment Projects), and 2006 Series B Tax Allocation Revenue Bonds (Redevelopment Project Area No. 1 and Mid-County Redevelopment Project). Additionally, certain information was missing from the annual reports filed for fiscal years 2011-12 and 2012-13 for the 2004 Tax Allocation Revenue Bonds, the 2005 Tax Allocation Revenue Bonds, the 2006 Series A Tax Allocation Revenue Bonds, and the 2006 Series B Tax Allocation Revenue Bonds. A remedial filing was submitted on July 1, 2014 providing the missing information from each report. In addition, a notice of rating upgrade with respect to the 2006 Series A Tax Allocation Revenue Bonds was filed.

(d) The County did not meet certain disclosure obligations with respect to its teeter obligation notes, which were issued in 2009, 2010, and 2012, and have since matured.

The County and its related entities have internally reviewed their previous filings and have made all of the required additional filings deemed to be material. With respect to notices of rating changes, the County and its related entities prepared and filed an omnibus corrective notice regarding bond insurer ratings and ratings of the County's general fund debt.

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

LEGAL MATTERS

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2015 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2015 Bonds is the first price at which a substantial amount of such maturity of the Series 2015 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of

underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2015 Bonds accrues daily over the term to maturity of such Series 2015 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015 Bonds. Beneficial owners of the Series 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2015 Bonds is sold to the public.

Series 2015 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2015 Bonds. The Community Facilities District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2015 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2015 Bonds may otherwise affect a beneficial owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration’s budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Series 2015 Bonds to some extent for high income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2015 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Community Facilities District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Community Facilities District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Community Facilities District or the Beneficial Owners regarding the tax-exempt status of the Series 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Community Facilities District and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Community Facilities District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015 Bonds, and may cause the Community Facilities District or the beneficial owners to incur significant expense.

Litigation

No litigation is pending or threatened concerning the validity of the Series 2015 Bonds, the pledge of Special Taxes to repay the Series 2015 Bonds, the powers or authority of the Community Facilities District with respect to the Series 2015 Bonds, or seeking to restrain or enjoin development of the land within the Community Facilities District and a certificate of the Community Facilities District to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2015 Bonds.

Legal Opinion

The validity of the Series 2015 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County and the Community Facilities District by the County Counsel, and for the Community Facilities District by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation expresses no opinion to the Bondowners as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the Series 2015 Bonds and expressly disclaims any duty to advise the Beneficial Owners of the Series 2015 Bonds as to matters related to this Official Statement.

No Rating

The Community Facilities District has not made and does not contemplate making application to any rating agency for the assignment of a rating of the Series 2015 Bonds.

Underwriting

The Series 2015 Bonds are being purchased by Piper Jaffray & Co., the Underwriter. The Underwriter has agreed to purchase the Series 2015 Bonds at a price of \$ _____, being \$ _____ aggregate principal amount thereof, less Underwriter's discount of \$ _____ [plus/less] a [net] original

issue [premium/discount] of \$ _____). The purchase agreement relating to the Series 2015 Bonds provides that the Underwriter will purchase all of the Series 2015 Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Series 2015 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.

Financial Advisor

The Community Facilities District has retained Fieldman Rolapp & Associates, Irvine, California, as financial advisor (the “Financial Advisor”) in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2015 Bonds. The Financial 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 Financial Advisor is an independent registered municipal financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Financial Interests

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel, the Special Tax Consultant, the Financial Advisor, and counsel to the Underwriter, are contingent upon the issuance and delivery of the Series 2015 Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Series 2015 Bonds.

Pending Legislation

The Community Facilities District is not aware of any significant pending legislation which would have material adverse consequences on the Series 2015 Bonds or the ability of the Community Facilities District to pay the principal of and interest on the Series 2015 Bonds when due.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2015 Bonds. Quotations and summaries and explanations of the Series 2015 Bonds and documents contained in this Official Statement do not purport to be complete, and reference is made to such documents for full and complete statements and their provisions. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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

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

By: _____
County Executive Officer

APPENDIX A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE

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

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“RDU” means Residential Dwelling Unit.

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

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

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

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

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

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

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

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

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Public Property, or Property Owners’ Association Property and which is not otherwise Exempt Property pursuant to Section E

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, all Parcels shall be categorized as either Developed Property, Approved Property, Undeveloped Property, Public Property, Property Owners’ Association Property or Exempt Property, and shall be subject to the levy of Special Taxes in accordance with this Amended and Restated Rate and Method of Apportionment as determined pursuant to Sections C., D., and E., below. Developed Property and Approved Property shall further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall further be classified as Single Family Property or Multifamily Property.

C. SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

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

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

b. Assigned Special Tax

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

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

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

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

c. Backup Special Tax

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

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

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

(iv) If the number of RDU of Multifamily Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 below for the corresponding Final Map, then the Backup Special Tax for each RDU of Multifamily Property within said Final Map shall equal (x) the number of RDUs of Multifamily Property identified in Table 2 below multiplied by the Assigned Special Tax for Multifamily Property shown in Table 1 as increased in accordance with Section C.1.b., divided by (y) the number of RDUs of Multifamily Property within such Final Map.

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

TABLE 2
Proposed Residential Dwelling
Units Per Tract

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

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

d. Multiple Land Use Property

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

levied on a Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Categories located on such Parcel.

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

2. Approved Property

a. Maximum Special Tax

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

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

b. Assigned Special Tax

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

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

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

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

c. Backup Special Tax

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

(ii) If the number of RDU of Single Family Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 above for the corresponding Final Map, then the Backup Special Tax for each RDU of Single Family Property

within said Final Map shall equal (x) the number of RDUs of Single Family Property identified in Table 2 above multiplied by the Assigned Special Tax for Single Family Property shown in Table 3, as increased in accordance with Section C.2.b., divided by (y) the number of RDUs of Single Family Property within such Final Map.

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

(iv) If the number of RDU of Multifamily Property in a specific Final Map is less than the proposed number of RDU identified in Table 2 above for the corresponding Final Map, then the Backup Special Tax for each RDU of Multifamily Property within said Final Map shall equal (x) the number of RDUs of Multifamily Property identified in Table 2 above multiplied by the Assigned Special Tax for Multifamily Property shown in Table 3 as increased in accordance with Section C.2.b., divided by (y) the number of RDUs of Multifamily Property within such Final Map.

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

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

d. Multiple Land Use Property

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

For purposes of calculating the Backup Special Tax for each Land Use Category under such circumstances, the Acreage assigned to each Land Use Category shall be based on the proportion of Residential Floor Area or Non-Residential Floor Area that is built for each Land

Use Category as compared with the Total Floor Area built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

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

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

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

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

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

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

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

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

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied on each Parcel of Approved Property and/or Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

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

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

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

E. EXEMPTIONS

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

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

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

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

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

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

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

G. APPEALS

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

H. PREPAYMENT OF SPECIAL TAX

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

The following definitions apply to this Section H:

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

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

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

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

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

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a Building Permit has been issued, or Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 business days prior to any redemption date, unless authorized by the Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

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

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

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

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

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

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

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

2. Prepayment in Part

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

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

These terms have the following meaning:

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

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

I. TERM OF THE SPECIAL TAX

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

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APPENDIX B

GENERAL INFORMATION CONCERNING THE COUNTY OF RIVERSIDE

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

Population

According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 2,279,967 as of January 1, 2014, representing an approximately 1.1% increase over the County’s population as estimated for the prior year. For the ten year period of January 1, 2004 to January 1, 2014, the County’s population grew by approximately 25.7%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 274,393 as of January 1, 2014. The population growth in the County has slowed in recent years, during which period the County’s population has grown at a rate close to the statewide average.

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

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

<i>City</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Banning	29,721	29,982	30,137	30,306	30,491
Beaumont	38,033	38,877	39,734	40,853	42,481
Blythe	20,062	20,408	19,589	18,982	18,909
Calimesa	7,910	8,003	8,085	8,225	8,353
Canyon Lake	10,605	10,695	10,755	10,817	10,901
Cathedral City	51,398	51,988	52,283	52,571	52,903
Coachella	41,336	41,929	42,733	43,601	43,917
Corona	153,039	154,637	156,689	159,109	160,287
Desert Hot Springs	27,276	27,657	27,798	27,986	28,134
Eastvale	54,087	55,639	57,189	59,151	60,633
Hemet	79,307	80,150	80,807	81,520	82,253
Indian Wells	4,990	5,038	5,075	5,133	5,194
Indio	76,816	78,124	81,320	82,375	84,201
Jurupa Valley	*	96,528	97,154	97,738	98,885
Lake Elsinore	52,291	53,059	55,371	56,688	58,426
La Quinta	37,690	38,107	38,369	39,023	39,694
Menifee	79,135	80,646	82,213	83,686	85,385
Moreno Valley	194,444	196,653	197,978	199,257	200,670
Murrieta	104,046	105,060	105,733	106,393	107,279
Norco	26,967	27,069	26,600	26,566	25,891
Palm Desert	48,925	49,517	49,918	50,424	51,053
Palm Springs	44,831	45,318	45,679	46,135	46,611
Perris	69,502	70,226	70,887	72,063	72,908
Rancho Mirage	17,399	17,516	17,622	17,739	17,889
Riverside	306,064	308,797	311,827	314,221	317,307
San Jacinto	44,419	44,833	45,169	45,537	45,895
Temecula	101,250	103,167	104,780	106,256	108,920
Wildomar	<u>32,412</u>	<u>32,740</u>	<u>33,136</u>	<u>33,696</u>	<u>34,148</u>
TOTALS					
Incorporated	1,753,955	1,872,363	1,894,630	1,916,051	1,939,618
Unincorporated	451,776	357,104	358,886	364,140	368,823
County-Wide	<u>2,205,731</u>	<u>2,229,467</u>	<u>2,253,516</u>	<u>2,280,191</u>	<u>2,308,441</u>
California	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725

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 73% between 2002 and 2013. The following tables summarize personal income for Riverside County for 2002 through 2013.

PERSONAL INCOME
Riverside County
2002-2013
(Dollars in Thousands)

<i>Year</i>	<i>Riverside County</i>	<i>Annual Percent Change</i>
2002	\$43,976,839	5.4%
2003	47,637,097	8.3
2004	51,612,837	8.3
2005	55,892,377	8.3
2006	61,110,773	9.3
2007	64,194,014	5.0
2008	65,140,132	1.5
2009	63,652,627	(2.3)
2010	65,219,337	2.5
2011	69,757,415	7.0
2012	73,685,111	5.6
2013	76,289,477	3.5

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 2002-2013. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

PER CAPITA PERSONAL INCOME
Riverside County, State of California and the United States
2002-2013

<i>Year</i>	<i>Riverside County</i>	<i>California</i>	<i>United States</i>
2002	\$26,066	\$34,229	\$31,800
2003	26,888	35,303	32,677
2004	27,801	37,156	34,300
2005	28,933	38,964	35,888
2006	30,368	41,623	38,127
2007	30,934	43,152	39,804
2008	30,876	43,608	40,873
2009	29,651	41,587	39,379
2010	29,612	42,282	40,144
2011	31,196	44,749	42,332
2012	32,534	47,505	44,200
2013	33,278	48,434	44,765

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

INDUSTRY AND EMPLOYMENT

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

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

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Civilian Labor Force	1,802,100	1,800,000	1,812,800	1,818,300	1,922,900
Civilian Employment	1,543,700	1,556,100	1,594,900	1,633,400	1,766,300
Civilian Unemployment	258,400	243,900	217,900	184,900	156,600
Civilian Unemployment Rate	14.3%	13.6%	12.0%	10.2%	8.1%
Total Farm	15,000	14,900	15,000	14,500	14,300
Total Nonfarm	1,144,700	1,148,000	1,180,300	1,231,900	1,299,500
Total Private	910,400	920,600	955,700	1,006,700	1,056,400
Goods Producing	145,900	145,200	150,500	158,600	168,500
Natural Resources and Mining	1,000	1,000	1,200	1,200	1,300
Construction	59,700	59,100	62,600	70,000	77,000
Manufacturing	85,200	85,100	86,700	87,300	90,200
Service Providing	998,900	1,002,800	1,029,800	1,073,300	1,116,700
Trade, Transportation and Utilities	270,900	276,500	288,500	300,600	315,000
Wholesale Trade	48,700	49,200	52,200	56,400	59,000
Retail Trade	155,500	158,500	162,400	164,800	168,700
Transportation, Warehousing and Utilities	66,600	68,800	73,900	79,400	87,300
Information	14,000	12,200	11,700	11,500	11,200
Financial Activities	41,000	39,900	40,900	42,200	42,700
Professional and Business Services	123,600	126,000	127,500	132,400	137,800
Educational and Health Services	154,100	157,600	167,200	184,500	193,600
Leisure and Hospitality	122,800	124,000	129,400	135,900	144,300
Other Services	38,200	39,100	40,100	41,100	43,200
Government	<u>234,300</u>	<u>227,500</u>	<u>224,600</u>	<u>225,200</u>	<u>228,800</u>
Total, All Industries	<u>1,159,700</u>	<u>1,162,900</u>	<u>1,195,300</u>	<u>1,246,400</u>	<u>1,299,500</u>

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

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

The following table shows the largest employers located in the County as of fiscal year 2014.

LARGEST EMPLOYERS
County of Riverside
2014

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

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

The following table summarizes the labor force, employment and unemployment figures for the period from 2010 through 2014 for the County, the State and the nation as a whole.

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

<i>Year and Area</i>	<i>Labor Force</i>	<i>Employment⁽¹⁾</i>	<i>Unemployment⁽²⁾</i>	<i>Unemployment Rate (%)⁽³⁾</i>
2010				
Riverside County	976,200	841,100	135,200	13.8%
California	18,336,300	16,091,900	2,244,300	12.2
United States ⁽⁴⁾	153,889,000	139,064,000	14,825,000	9.6
2011				
Riverside County	978,200	849,400	128,800	13.2%
California	18,419,500	16,260,100	2,159,400	11.7
United States ⁽⁴⁾	153,617,000	139,869,000	13,747,000	8.9
2012				
Riverside County	989,100	873,900	115,200	11.6%
State of California	18,554,800	16,630,100	1,924,700	10.4
United States ⁽⁴⁾	154,975,000	142,469,000	12,506,000	8.1
2013				
Riverside County	998,600	873,900	115,200	11.63%
State of California	18,671,600	17,002,900	1,668,700	8.9
United States ⁽⁴⁾	155,389,000	143,929,000	11,460,000	7.4
2014				
Riverside County	1,010,700	927,300	83,400	8.2%
State of California	18,811,400	17,397,100	1,414,300	7.5
United States ⁽⁴⁾	155,922,000	146,305,000	9,617,000	6.2

⁽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 2014 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 two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The table below presents taxable sales for the years 2009 through 2013 for the County.

TAXABLE SALES

**County of Riverside
2009-2013
(Dollars in Thousands)**

<i>Year</i>	<i>Retail Permits</i>	<i>Retail Stores Taxable Transactions</i>	<i>Total Permits</i>	<i>Total Outlets Taxable Transactions</i>
2009	29,829	\$16,057,488	42,765	\$22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	46,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467

Note: In 2009, retail permits expanded to include permits for food services.

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

Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2010 through 2014.

**COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS⁽¹⁾
(In Thousands)**

	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Valuation (\$000):					
Residential	\$1,079,637	\$873,411	\$1,079,405	\$1,375,593	\$1,621,751
Non-residential	<u>539,379</u>	<u>559,398</u>	<u>657,595</u>	<u>873,977</u>	<u>814,990</u>
Total*	\$1,619,016	\$1,432,809	\$1,737,000	\$2,249,570	\$2,436,741
Residential Units:					
Single family	4,031	2,659	3,720	4,716	5,007
Multiple family	<u>526</u>	<u>1,061</u>	<u>909</u>	<u>1,427</u>	<u>1,931</u>
Total	4,557	3,720	4,629	6,143	6,938

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2008 through 2013.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California⁽¹⁾</i>
2008	\$400,000	\$260,000	\$225,000	\$340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	163,000	300,000
2013	412,000	259,000	205,000	370,000

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

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 2008 through 2013.

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

<i>Year</i>	<i>Los Angeles</i>	<i>Riverside</i>	<i>San Bernardino</i>	<i>Southern California⁽¹⁾</i>
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,560	100,106
2010	26,827	20,598	16,757	86,853
2011	25,597	17,383	14,181	77,105
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470

⁽¹⁾ Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

Agriculture

Agriculture is an important source of income in the County. Principal agricultural products are nursery stock, milk, table grapes, alfalfa, bell peppers, lemons, eggs, dates, avocados and grapefruit.

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 following table sets forth the value of agricultural production in the County for the years 2009 through 2013.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Citrus Fruits	\$ 101,652,000	\$ 140,500,922	\$ 119,942,513	\$ 125,711,000	\$ 142,404,000
Trees and Vines	191,682,600	164,993,960	232,649,262	217,214,000	232,536,000
Vegetables, Melons, Misc.	221,286,700	292,002,337	278,628,295	286,234,000	340,407,000
Field and Seed Crops	69,699,800	81,328,229	149,198,052	147,352,000	154,582,000
Nursery	206,499,900	169,341,300	200,154,964	190,878,000	191,215,000
Apiculture	5,017,600	4,631,700	4,844,400	4,983,000	4,715,000
Aquaculture Products	<u>5,243,900</u>	<u>4,921,700</u>	<u>4,808,250</u>	<u>4,205,000</u>	<u>2,262,000</u>
Total Crop Valuation	\$ 801,082,500	\$ 857,720,148	\$ 990,225,736	\$ 976,577,000	\$1,068,121,000
Livestock and Poultry Valuation	<u>214,672,800</u>	<u>235,926,225</u>	<u>292,030,380</u>	<u>276,553,000</u>	<u>259,683,000</u>
Grand Total	\$1,015,755,300	\$1,093,646,373	\$1,282,256,116	\$1,253,130,000	\$1,327,804,000

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

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

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

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and

civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

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

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

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere in the Official Statement. This summary does not purport to be comprehensive, and reference should be made to the Indenture for a full and complete statement of its provisions.

Definitions

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

“Additional Bonds” means Bonds other than Series 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

“Administrative Expense Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Administrative Expenses” means costs related to the administration of the Community Facilities District, including but not limited to, the cost of administering the levy and collection of the Special Tax and all other administrative costs of the Community Facilities District, including, but not limited to, the fees and expenses of the Trustee (including any fees and expenses of its counsel), the expenses of the Community Facilities District or the County in carrying out the Community Facilities District’s duties under the Indenture including annual audits, the fees and expenses of its special tax consultants and its legal counsel, and costs incurred in the levying and collection of the Special Tax, the costs incurred in the foreclosure of parcels delinquent in the payment of Special Taxes or in connection with obtaining security for payment of Special Taxes in lieu of foreclosure, costs associated with the creation and dissemination of continuing disclosure, fees incurred in connection with the calculation of arbitrage rebate due to the federal government, amounts payable to the federal government as arbitrage rebate and all other costs of the Community Facilities District, the County or the Trustee incurred in connection with the discharge of their respective duties under the Indenture, including, in the case of the County, in any way reasonably related to the administration of the Community Facilities District (other than costs of any consultant or firm of financial consultants appointed by the Community Facilities District or the County incurred in connection with the prepayment of the Special Tax).

“Administrator” means, with respect to the Community Facilities District, the County Executive Officer, and any other Person designated as an Administrator of the Community Facilities District in a Written Certificate of the Community Facilities District filed with the Trustee.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the principal amount of the Outstanding Bonds due in such Bond Year (including by reason of mandatory sinking fund redemptions).

“Appraised Value” means the value of all or any portion of the Taxable Property, as set forth in a Qualified Appraisal Report prepared by a Qualified Appraiser.

“Assessed Value” means, with respect to all or any portion of the Taxable Property, as of any date, the assessed value thereof, as such value is shown on the most recently equalized assessment roll.

“Auditor” means the Auditor/Controller of the County.

“Authorized Denominations” means (a) with respect to the Series 2015 Bonds, \$5,000 and any integral multiple thereof, and (b) with respect to each Series of Additional Bonds, the authorized denominations for such Series of Additional Bonds specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

“Available Special Taxes” means, for any Fiscal Year, the sum of (a) the amount of Maximum Special Taxes that may be levied for such Fiscal Year, pursuant to the Rate and Method and the Act, on all Taxable Property, less (b) the Projected Administrative Expenses in such Fiscal Year.

“Average Annual Debt Service” means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

“Board of Supervisors” means the Board of Supervisors of the County.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the Community Facilities District.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Year” means each twelve-month period beginning on September 2 in each year and extending to the next succeeding September 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2015.

“Bonds” means the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds issued under the Indenture, and includes the Series 2015 Bonds and any Additional Bonds.

“Business Day” means a day which is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State, or in any state in which the Office of the Trustee is located, are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Closing Date” means the date upon which the Series 2015 Bonds are delivered to the Original Purchaser.

“Code” means the Internal Revenue Code of 1986.

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

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

“Corresponding Bond Year” means, with respect to any Fiscal Year, the Bond Year that commences in such Fiscal Year.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Community Facilities District or the County relating to the authorization, sale, issuance and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s acceptance fee and first annual

administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“County” means the County of Riverside, and any successor thereto.

“Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), and (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any Person claiming through the custodian or to whom the custodian may be obligated.

“Earnings Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Event of Default” means any event or circumstance specified in the Indenture.

“Facilities” means the facilities authorized to be financed by the Community Facilities District, as more particularly described in the Resolution of Formation.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the Community Facilities District.

“Improvement Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Indenture” means the Indenture, dated as of August 1, 2015, by and between the Community Facilities District and U.S. Bank National Association, as Trustee, as originally executed and as it may be amended or supplemented from time to time by any Supplemental Indenture.

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

“Interest Payment Dates” means March 1 and September 1 of each year, commencing March 1, 2016, so long as any Bonds remain Outstanding.

“Legislative Body” means the Board of Supervisors, acting ex officio as the Legislative Body of the Community Facilities District.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, Inc., a corporation duly organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

“Net Special Tax Revenues” means Special Tax Revenues, less amounts required to pay Administrative Expenses.

“Non-Proceeds Account” means the account by that name within the Improvement Fund established and held by the Trustee pursuant to the Indenture.

“Office of the Trustee” means the designated corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Community Facilities District by the Trustee in writing.

“Ordinance” means Ordinance No. 870 adopted by the Board of Supervisors on June 26, 2007, as originally adopted and as it may be amended from time to time.

“Original Purchaser” means the original purchaser of the Series 2015 Bonds from the Community Facilities District.

“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.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture relating to disqualified Bonds, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) Bonds with respect to which all liability of the Community Facilities District shall have been discharged in accordance with the Indenture, and (c) Bonds in lieu of which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participating Underwriter” has the meaning ascribed to such term in the Continuing Disclosure Agreement.

“Permitted Investments” means the following:

(1) Direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America);

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration

- Federal Financing Bank;
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:
- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System;
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which at the time of deposit have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);
- (5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;
- (6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including a fund for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;
- (7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and
- (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or
 - (b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) or (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (8) Municipal obligations rated "Aaa/AAA" at the time of purchase or general obligations of states with a rating at the time of purchase of "A2/A" or higher by both Moody's and S&P;
- (9) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "Aa3" by Moody's and "AA-" by S&P; provided, that, by the terms of the investment agreement:
- (a) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;
 - (b) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the

agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(c) the Trustee or the Community Facilities District receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(d) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of the Community Facilities District or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(e) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(f) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Community Facilities District or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

(10) The Local Agency Investment Fund maintained by the Treasurer of the State; and

(11) The investment pool maintained by the Treasurer of the County.

"Person" means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Projected Administrative Expenses" means (a) for Fiscal Year 2015-16, \$70,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Projected Administrative Expenses on each July 1, from and including July 1 immediately following the end of the then current Fiscal Year to and including the July 1 in such Fiscal Year by 2% of the amount in effect for the previous Fiscal Year.

"Proceeds Account" means the account by that name within the Improvement Fund established and held by the Trustee pursuant to the Indenture.

"Qualified Appraisal Report" means a real estate appraisal report which (a) has been prepared by a Qualified Appraiser, (b) uses a date of value that is no earlier than three months prior to the date on which the

value reported in such appraisal report is used in accordance with the provisions of the Indenture, (c) is prepared in accordance with the applicable standards of the Appraisal Institute for such reports, and (d) is prepared in accordance with the applicable guidelines of the California Debt and Investment Advisory Commission for such reports, as such guidelines are in effect on the Closing Date.

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

“Rate and Method” means the rate and method of apportionment of the Special Taxes approved by the qualified electors of the Community Facilities District.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Rebate Requirement” has the meaning ascribed to such term in the Tax Certificate.

“Record Date” means, with respect to interest payable on any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant to the Indenture.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Reserve Requirement” means, as of the date of any calculation, the least of (a) 10% of the original aggregate principal amount of the Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), (b) Maximum Annual Debt Service, and (c) 125% of Average Annual Debt Service.

“Resolution of Formation” means Resolution No. 2007-286, adopted by the Board of Supervisors on June 12, 2007.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Community Facilities District.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2015 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series 2015 Bonds” means the Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015, issued under the Indenture.

“Special Tax Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Special Tax Revenues” means the proceeds of the Special Taxes received by or on behalf of the Community Facilities District, including any prepayments thereof, interest and penalties thereon, 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.

“Special Taxes” means the special taxes levied within the Community Facilities District pursuant to the Act, the Ordinance and the Indenture.

“State” means the State of California.

“Supplemental Indenture” means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

“Tax Certificate” means the Tax Certificate executed by the Community Facilities District at the time of issuance of the Series 2015 Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Taxable Property” has the meaning ascribed thereto in the Rate and Method.

“Trustee” means U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, or any successor thereto as Trustee under the Indenture, substituted in its place as provided in the Indenture.

“Verification Report” means, with respect to the deemed payment of Bonds pursuant to the Indenture, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements thereof.

“Written Certificate” and **“Written Request”** of the Community Facilities District mean, respectively, a written certificate or written request signed in the name of the Community Facilities District by an Administrator. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Certain Provisions of the Bonds

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

The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be obligated to make any transfer or exchange of Bonds of a Series pursuant to the Indenture during the period established by the Trustee for the selection of Bonds of such Series for redemption, or with respect to any Bonds of such Series selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Community Facilities District, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and destroyed in accordance with the Trustee's retention policy then in effect. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Community Facilities District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Community Facilities District may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture summarized in this paragraph and of the expenses which may be incurred by the Community Facilities District and the Trustee. Any Bond of a Series issued under such provisions of the Indenture in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Community Facilities District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Temporary Bonds. The Bonds of a Series may be issued in temporary form exchangeable for definitive Bonds of such Series when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the Community Facilities District, shall be in fully-registered form without coupons and may contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be executed by the Community Facilities District and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Community Facilities District issues temporary Bonds of a Series it shall execute and deliver definitive Bonds of such Series as promptly thereafter as practicable, and thereupon the temporary Bonds of such Series may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds, an equal aggregate principal amount of definitive Bonds of such Series and maturities in Authorized Denominations. Until so exchanged, the temporary Bonds of such Series shall be entitled to the same benefits under the Indenture as definitive Bonds of such Series authenticated and delivered under the Indenture.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The Community Facilities District may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds) payable from Net Special Tax Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are conditions precedent to the issuance of such Additional Bonds:

- (a) upon the issuance of such Additional Bonds, no Event of Default shall have occurred and be continuing under the Indenture;
- (b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which the proceeds of such Additional Bonds are to be applied, which purposes may only include one or more of (A) providing funds to pay costs of the Facilities, (B) providing funds to refund any Bonds previously issued under the Indenture, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to the Reserve Fund required pursuant to paragraph (viii) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the interest rate to be borne by each maturity of such Additional Bonds;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either March 1 or September 1 and shall be for a period of not longer than twelve months;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, however, that each such maturity date and date on which a mandatory sinking fund redemption is to be made shall be a September 1 and, provided, further, that serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the Authorized Denominations of such Additional Bonds;

(vi) the redemption premiums and terms, if any, for such Additional Bonds;

(vii) the form of such Additional Bonds;

(viii) the amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Reserve Fund; provided, however, that the amount on deposit in the Reserve Fund at the time that such Additional Bonds become Outstanding shall be at least equal to the Reserve Requirement; and

(ix) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) The Community Facilities District shall have received a certificate from one or more Independent Consultants that, taken together, certify that:

(i) on the basis of the parcels of land and improvements existing in the Community Facilities District as of the January 1 preceding the proposed issuance of such Additional Bonds, for each Fiscal Year that Bonds will be Outstanding, the amount of the Available Special Taxes that may be levied on all Taxable Property in such Fiscal Year is at least equal to 110% of Annual Debt Service for the Corresponding Bond Year on all Outstanding Bonds; and

(ii) the sum of (A) the Assessed Value of parcels of Taxable Property for which a Qualified Appraisal Report has not been provided, plus (B) the Appraised Value of parcels of Taxable Property for which a Qualified Appraisal Report has been provided, as such Appraised Value is shown in such Qualified Appraisal Report, is at least three times the sum of (I) the aggregate principal amount of Outstanding Bonds, plus (II) the aggregate principal amount of all fixed lien special assessments levied on parcels of Taxable Property, based upon information from the most recent Fiscal Year for which such information is available, plus (III) the sum of a portion of the aggregate principal amount of Other CFD Bonds, which portion shall be equal to the aggregate principal amount of such Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for such Other CFD Bonds on parcels of Taxable Property, and the denominator of which

is the total amount of special taxes levied for such Other CFD Bonds on all parcels of land (such fraction to be determined based upon the maximum special taxes which could be levied in the year in which maximum annual debt service on such Other CFD Bonds occurs), based upon information from the most recent Fiscal Year for which such information is available.

Notwithstanding the foregoing, 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, the receipt of the certificate described in paragraph (c), above, shall not be a condition precedent to the issuance of such Additional Bonds.

Nothing contained in the Indenture shall limit the issuance of any special tax bonds payable from Special Taxes if, after the issuance and delivery of such special tax bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding.

Procedure for the Issuance of Additional Bonds. At any time after the sale of any Additional Bonds in accordance with the Act, such Additional Bonds shall be executed by the Community Facilities District for issuance under the Indenture and shall be delivered to the Trustee and thereupon shall be authenticated and delivered by the Trustee, but only upon receipt by the Trustee of the following:

- (a) a certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;
- (b) a Written Request of the Community Facilities District as to the delivery of such Additional Bonds;
- (c) a Written Certificate of the Community Facilities District stating that the conditions precedent to the issuance of such Additional Bonds specified in the Indenture have been satisfied;
- (d) an opinion of Bond Counsel substantially to the effect that (i) the Indenture and all Supplemental Indentures have been duly authorized, executed and delivered by, and constitute the valid and binding obligations of, the Community Facilities District, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State), (ii) such Additional Bonds constitute valid and binding special obligations of the Community Facilities District and are enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and by the application of equitable principles and by the exercise of judicial discretion in appropriate cases and subject to the limitations on legal remedies against political subdivisions in the State), and (iii) the issuance of such Additional Bonds, in and of itself, will not adversely affect the exclusion of interest on the Bonds Outstanding prior to the issuance of such Additional Bonds from gross income for federal income tax purposes;
- (e) the proceeds of the sale of such Additional Bonds; and
- (f) such further documents or money as are required by the provisions of the Indenture or by the provisions of the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Additional Bonds. So long as any of the Bonds remain Outstanding, the Community Facilities District shall not issue any Additional Bonds or obligations payable from Net Special Tax Revenues, except pursuant to the provisions of the Indenture summarized under the captions “–Conditions for the Issuance of Additional Bonds” and “–Procedure for the Issuance of Additional Bonds” above.

Flow of Funds; Investments

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

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

(c) 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:

(i) *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

(ii) *Reserve Fund.* After having made any transfers required to be made pursuant to the preceding paragraph (i), 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.

(d) On each September 2, after having made any requested transfer pursuant to paragraph (b) above and any transfers required to be made pursuant to paragraph (c) above, the Trustee shall transfer any remaining amounts in the Special Tax Fund to the Non-Proceeds Account.

Bond Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Bond Fund." The Trustee shall deposit in the Bond Fund from time to time the amounts required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Bond Fund the portion, if any, of the proceeds of the sale of Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) In the event that, on the Business Day prior to an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal, if any, of and interest on the Bonds due and payable on such Interest Payment Date, including principal due and payable by reason of mandatory sinking fund redemption of such Bonds, the Trustee shall withdraw from the Reserve Fund, to the extent of any funds therein, the amount of such insufficiency, and shall transfer any amounts so withdrawn to the Bond Fund.

(c) On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds 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.

(d) 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.

Reserve Fund. (a) The Trustee shall establish and maintain a special fund designated the "Reserve Fund." On the Closing Date, the Trustee shall deposit in the Reserve Fund the amount specified in the Indenture. The Trustee shall deposit in the Reserve Fund from time to time the amounts required to be deposited therein pursuant to the Indenture. There shall additionally be deposited in the Reserve Fund, in connection with the issuance of Additional Bonds, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) Except as otherwise provided in the provisions of the Indenture summarized under this subcaption ("– Reserve Fund"), all amounts deposited in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of (i) making transfers to the Bond Fund in accordance with the provisions of the Indenture summarized in paragraph (b) under the subcaption "– 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, and (ii) redeeming Bonds in accordance with the provisions of the Indenture summarized under this subcaption.

(c) Whenever Bonds are to be redeemed pursuant to the provisions of the Indenture relating to optional redemption or mandatory redemption from Special Tax Prepayments or the corresponding provisions of a Supplemental Indenture, a proportionate share, determined as provided below, of the amount on deposit in the Reserve Fund shall, on the date on which amounts to redeem such Bonds are deposited in the Redemption Fund or otherwise deposited with the Trustee pursuant to the provisions of the Indenture summarized under the subcaption "Defeasance – Bonds Deemed To Have Been Paid," be transferred by the Trustee from the Reserve Fund to the Redemption Fund or to such deposit held by the Trustee and shall be applied to the redemption of said 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). Such proportionate share shall be equal to the largest integral multiple of the minimum Authorized Denomination for said Bonds that is not larger than the amount equal to the product of (i) the amount on deposit in the Reserve Fund on the date of such transfer, times (ii) a fraction, the numerator of which is the principal amount of Bonds to be so redeemed and the denominator of which is the principal amount of Bonds to be Outstanding on the day prior to the date on which such Bonds are to be so redeemed.

(d) Whenever the balance in the Reserve Fund exceeds the amount required to redeem or pay the Outstanding Bonds, including interest accrued to the date of payment or redemption and premium, if any, due upon redemption, the Trustee shall, upon receipt of a Written Request of the Community Facilities District, transfer the amount in the Reserve Fund to the Bond Fund or Redemption Fund, as applicable, to be applied, on the next succeeding Interest Payment Date to the payment and redemption of all of the Outstanding Bonds.

(e) If as a result of the scheduled payment of principal of or interest on the Outstanding Bonds, the Reserve Requirement is reduced, the Trustee shall transfer to the Bond Fund an amount equal to the amount by which the amount on deposit in the Reserve Fund exceeds such reduced Reserve Requirement.

Redemption Fund. (a) The Trustee shall establish and maintain a special fund designated the "Redemption Fund." As soon as practicable after the receipt by the Community Facilities District of prepaid Special Taxes, but in any event not later than ten Business Days after such receipt, the Community Facilities

District shall transfer the portion of such prepaid Special Taxes to be applied to the Redemption Price of the Bonds to be redeemed from such prepaid Special Taxes to the Trustee for deposit in the Redemption Fund. The Trustee shall deposit in the Redemption Fund amounts received from the Community Facilities District in connection with the Community Facilities District's exercise of its rights to optionally redeem Series 2015 Bonds pursuant to the provisions of the Indenture relating to optional redemption and any other amounts required to be deposited therein pursuant to the provisions of the Indenture described under the caption "--Reserve Fund" or pursuant to any Supplemental Indenture.

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

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

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

Administrative Expense Fund. The Trustee shall establish and maintain a special fund designated the "Administrative Expense Fund." The Trustee shall deposit in the Administrative Expense Fund the amounts transferred from the Special Tax Fund and required to be deposited therein pursuant to the Indenture.

The moneys in the Administrative Expense Fund shall be used and withdrawn by the Trustee from time to time to pay the Administrative Expenses upon submission of a Written Request of the Community Facilities District stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred and that such purpose constitutes an Administrative Expense, (d) that such payment is a proper charge against the Administrative Expense Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Administrative Expense Fund; in each case together with a statement or invoice for each amount requested thereunder.

To the extent moneys are not otherwise available therefor in the Earnings Fund, amounts in the Administrative Expense Fund shall, at the Written Request of the Community Facilities District, be transferred by the Trustee to the Rebate Fund.

Earnings Fund. (a) The Trustee shall establish and maintain a special fund designated the "Earnings Fund." The Trustee shall deposit in the Earnings Fund the amounts required to be deposited therein pursuant to the Indenture.

At least annually on or before November 1 of each year, if the amount on deposit in the Rebate Fund is less than the Rebate Requirement, the Community Facilities District shall deliver to the Trustee a Written Request of the Community Facilities District directing the Trustee to transfer from the Earnings Fund to the Rebate Fund the amount specified in such Written Request (which shall be an amount sufficient to cause the amount on deposit in the Rebate Fund to be equal to the Rebate Requirement), and the Trustee shall so transfer such amount. On November 2 of each year, after having made any requested transfer to the Rebate Fund, the Trustee shall transfer any amount in the Earnings Fund, first, to the Reserve Fund in the amount, if any, necessary to cause the amount on deposit in the Reserve Fund to be equal to the Reserve Requirement and, second, to the Special Tax Fund.

Costs of Issuance Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture. There shall be deposited in the Cost of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment is a proper charge against the Costs of Issuance Fund, and (v) that such amounts have not been the subject of a prior disbursement from the Costs of Issuance Fund, in each case together with a statement or invoice for each amount requested thereunder. On the last Business Day that is no later than six months after the Closing Date, the Trustee shall transfer any amount remaining in the Costs of Issuance Fund to the Bond Fund and, upon making such transfer, the Costs of Issuance Fund shall be closed.

(c) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

Improvement Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Improvement Fund." Within the Improvement Fund, the Trustee shall 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 Indenture. There shall additionally be deposited in the Proceeds Account the portion, if any, of the proceeds of the sale of any Additional Bonds to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Non-Proceeds Account the amounts required to be transferred thereto pursuant to the provisions of the Indenture described under paragraph (d) under the caption "-Special Tax Fund."

(b) The moneys in the Proceeds Account shall be used and withdrawn by the Trustee from time to time to pay the costs of the Facilities upon submission to the Trustee of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a cost of the Facilities and is a proper charge against the Proceeds Account, and (v) that such amounts have not been the subject of a prior disbursement from the Proceed Account, in each case together with a statement or invoice for each amount requested thereunder.

Upon the filing of a Written Certificate of the Community Facilities District stating (i) that the portion of the Facilities to be financed from the Proceeds Account has been completed and that all costs of such Facilities have been paid, or (ii) that such portion of the Facilities has been substantially completed and that all remaining costs of such portion of the Facilities have been determined and specifying the amount to be

retained therefor, the Trustee shall (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.

(c) The moneys in the Non-Proceeds Account shall be used and withdrawn by the Trustee from time to time to pay the costs of the Facilities upon submission to the Trustee of a Written Request of the Community Facilities District stating (i) the Person to whom payment is to be made, (ii) the amount to be paid, (iii) the purpose for which the obligation was incurred, (iv) that such payment constitutes a cost of the Facilities and is a proper charge against the Non-Proceeds Account, and (v) that such amounts have not been the subject of a prior disbursement from the Non-Proceeds Account, in each case together with a statement or invoice for each amount requested thereunder.

The moneys in the Non-Proceeds Account shall be transferred by the Trustee from time to time to the Administrative Expense Fund, the Bond Fund, the Reserve Fund, the Rebate Fund or the Redemption Fund as requested, and in the amount specified, in a Written Request of the Community Facilities District submitted to the Trustee.

Investment of Moneys. Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the Community Facilities District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of the Bonds and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of the Bonds. Absent timely written direction from the Community Facilities District, the Trustee shall invest any funds held by it in Permitted Investments described in paragraph 6 of the definition thereof.

Subject to the provisions of the Indenture relating to the Rebate Fund, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Indenture (other than the Reserve Fund) shall be retained therein. Subject to the provisions of the Indenture relating to the Rebate Fund, all interest, profits or other income received from the investment of moneys in the Reserve Fund shall, prior to the date on which a Written Certificate of the Community Facilities District is delivered to the Trustee pursuant to the provisions of the Indenture summarized in paragraph (b) under the subcaption “–Improvement Fund,” be transferred to the Proceeds Account and, thereafter, shall be transferred to the Earnings Fund; provided, however, that, notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund is at least equal to the Reserve Requirement.

Permitted Investments acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund shall be valued by the Trustee at the market value thereof, such valuation to be performed not less frequently than semiannually on or before each February 15 and August 15.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Community Facilities District, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required

payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments are credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to provisions of the Indenture summarized under this subcaption (“– Investment of Moneys”). For purposes of investment, the Trustee may commingle moneys in any of the funds and accounts established under the Indenture.

Covenants

Collection of Special Tax Revenues. (a) The Community Facilities District shall comply with all requirements of the Act, the Ordinance and the Indenture so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes; provided, however, that the Community Facilities District shall have the right to waive delinquency penalties and redemption penalties in accordance with the provisions of subdivision (e) of Section 53340 of the Act.

(b) Prior to August 1 of each year, the Community Facilities District shall ascertain from the County Assessor the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current year. The Community Facilities District shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Ordinance by each August 10, or otherwise such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the Community Facilities District for inclusion on the next real property tax roll. Upon the completion of the computation of the amounts of the levy, the Community Facilities District shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires in order to include the levy of the Special Taxes on the next real property tax roll.

(c) The Community Facilities District shall fix and levy the amount of Special Taxes within the Community Facilities District in each Fiscal Year in accordance with the Rate and Method and, subject to the limitations in the Rate and Method as to the maximum Special Tax that may be levied, in an amount sufficient to yield Special Tax Revenues in the amount required for (i) the payment of principal of and interest on any Outstanding Bonds becoming due and payable during the Bond Year commencing in such Fiscal Year, (ii) any necessary replenishment of the Reserve Fund, and (iii) the payment of Administrative Expenses estimated to be paid from such Special Tax Revenues, taking into account the balances in the funds and accounts established under the Indenture.

(d) The Special Taxes shall be payable and be collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the ad valorem taxes on real property.

Foreclosure. Pursuant to Section 53356.1 of the Act, the Community Facilities District covenants with and for the benefit of the Owners that it 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; provided, however, that, notwithstanding the foregoing, the Community Facilities District may elect to accept payment from a property owner of at least the enrolled amount but less than the full amount of the penalties, interest, costs and attorneys’ fees related to a Special Tax delinquency, if permitted by law. Notwithstanding the foregoing, in certain instances the amount of a Special Tax delinquency on a particular parcel is so small that the cost of appropriate foreclosure proceedings will far exceed the Special Tax delinquency and in such cases foreclosure proceedings may be delayed by the Community Facilities District until there are sufficient Special Tax delinquencies accruing to such parcel (including interest and penalties thereon) to warrant the foreclosure proceedings cost.

Compliance with Act. The Community Facilities District shall comply with all applicable provisions of the Act.

Punctual Payment. The Community Facilities District shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Special Tax Revenues and other assets pledged for such payment as provided in the Indenture and received by the Community Facilities District or the Trustee.

Extension of Payment of Bonds. The Community Facilities District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing summarized in this paragraph shall be deemed to limit the right of the Community Facilities District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances; Defense of Pledge. The Community Facilities District shall not create, or permit the creation of, any pledge of, lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture, except as permitted by the Indenture. The Community Facilities District shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of such assets, and the lien thereon and security interest therein created by the Indenture, against all claims and demands of all Persons whomsoever.

Tax Covenants. (a) The Community Facilities District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series 2015 Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the Community Facilities District shall comply with the requirements of the Tax Certificate, which is incorporated in the Indenture as if fully set forth in the Indenture. This covenant shall survive payment in full or defeasance of the Series 2015 Bonds.

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

(c) Notwithstanding any tax covenant provisions of the Indenture, if the Community Facilities District shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under the tax covenant provisions of the Indenture is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series 2015 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the tax covenant provisions of the Indenture and of the Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. Each of the Community Facilities District and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Indenture, failure of the Community Facilities District or the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2015 Bonds, and upon receipt of indemnification reasonably

satisfactory to the Trustee, shall) or any Owner or Beneficial Owner of the Series 2015 Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Non-Cash Payments of Special Taxes. The Community Facilities District shall not authorize owners of taxable parcels within the Community Facilities District to satisfy Special Tax obligations by the tender of Bonds unless the Community Facilities District shall have first obtained a report of an Independent Consultant certifying that doing so would not result in the Community Facilities District having insufficient Special Tax Revenues to pay the principal of and interest on all Outstanding Bonds when due.

Reduction in Special Taxes. The Community Facilities District shall not initiate proceedings under the Act to modify the Rate and Method if such modification would adversely affect the security for the Bonds. If an initiative is adopted that purports to modify the Rate and Method in a manner that would adversely affect the security for the Bonds, the Community Facilities District shall, to the extent permitted by law, commence and pursue reasonable legal actions to prevent the modification of the Rate and Method in a manner that would adversely affect the security for the Bonds.

Accounting Records. The Community Facilities District shall keep or cause to be kept appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Special Taxes, which records shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions.

State Reporting. If at any time the Trustee fails to pay principal or interest due on any scheduled payment date for the Bonds, or if funds are withdrawn from the Reserve Fund to pay principal of or interest on the Bonds, the Trustee shall notify the Community Facilities District in writing of such failure or withdrawal, and the Community Facilities District shall notify the California Debt and Investment Advisory Commission of such failure or withdrawal within ten days of the failure to make such payment or the date of such withdrawal.

Annual Reports to the California Debt and Investment Advisory Commission. Not later than October 30 of each year, commencing October 30, 2015 and continuing until the October 30 following the final maturity of the Bonds, the Community Facilities District shall supply to the California Debt and Investment Advisory Commission the information required to be provided thereto pursuant to Section 53359.5(b) of the Act. Such information shall be made available to any Owner upon written request to the Community Facilities District accompanied by a fee determined by the Community Facilities District to pay the costs of the Community Facilities District in connection therewith. The Community Facilities District shall in no event be liable to any Owner or any other Person in connection with any error in any such information.

Further Assurances. The Community Facilities District shall make, execute and deliver any and all such further agreements, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the rights and benefits provided in the Indenture.

Events of Default and Remedies

Events of Default. The following events shall be Events of Default:

- (a) failure to pay any installment of principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;
- (b) failure to pay any installment of interest on any Bonds when and as the same shall become due and payable;

(c) failure by the Community Facilities District to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Community Facilities District by the Trustee, or to the Community Facilities District and the Trustee by the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that, if in the reasonable opinion of the Community Facilities District the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Community Facilities District within such 30 day period and the Community Facilities District shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(d) the commencement by the Community Facilities District or the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Foreclosure. If an Event of Default shall occur under the provisions of the Indenture summarized in paragraphs (a) or (b) under the subcaption “– Events of Default” above, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, or at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, and upon being indemnified to its satisfaction therefor, shall, commence foreclosure against any parcels of land in the Community Facilities District with delinquent Special Taxes, as provided in Section 53356.1 of the Act.

Other Remedies. If an Event of Default shall have occurred and be continuing, the Trustee shall have the right:

(a) by mandamus, suit, action or proceeding, to compel the Community Facilities District and its officers, agents or employees to perform each and every term, provision and covenant contained in the Indenture and in the Bonds, and to require the carrying out of any or all such covenants and agreements of the Community Facilities District and the fulfillment of all duties imposed upon it by the Indenture and the Act;

(b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Community Facilities District and its officers and employees to account as if it and they were the trustees of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or otherwise.

Application of Net Special Tax Revenues After Default. If an Event of Default shall occur and be continuing, all Net Special Tax Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of the principal and interest then due with respect to the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, as follows:

First: to the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(c) any remaining funds shall be transferred by the Trustee to the Special Tax Fund.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee; provided, however, that such direction shall not be otherwise than in accordance the provisions of the Indenture, the Act and other applicable law and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bond, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by such Owner's or Owners' action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Absolute Obligation. Nothing in the Indenture or the Bonds contained shall affect or impair the obligation of the Community Facilities District, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners at their respective dates of maturity, or upon call for

redemption, as provided in the Indenture, but only out of the Net Special Tax Revenues and other assets in the Indenture pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Owners, then in every such case the Community Facilities District, the Trustee and the Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Community Facilities District, the Trustee and the Owners shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party to the Indenture and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the provisions summarized in this paragraph the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Community Facilities District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (a) above, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first-class mail, postage prepaid, to the Community Facilities District, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with

the provisions of paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the provisions of the Indenture described under this subcaption (“– Qualifications; Removal and Resignation; Successors”).

(d) Upon removal or resignation of the Trustee, the Community Facilities District shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in the Indenture as described in paragraph (a) above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Community Facilities District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless at the Written Request of the Community Facilities District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions in the Indenture set forth. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first-class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Indenture to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee. (a) The recitals of facts in the Indenture and in the Bonds contained shall be taken as statements of the Community Facilities District, and the Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated in the Indenture in connection with the respective duties or obligations in the Indenture or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds.

(b) The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to the issuance of the Bonds for value, the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or the application of any moneys paid to the Community Facilities District or others in accordance with the Indenture.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

(d) No provision of the Indenture or any other document related to the Indenture shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Indenture through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Indenture summarized under the captions "Events of Default and Remedies" or "Trustee" or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(j) The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it under the Indenture if and to the extent that the Trustee's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an Event of Default under the Indenture unless it has actual knowledge thereof.

Right to Rely on Documents and Opinions. (a) The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Community Facilities District, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate,

but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Trustee may consult with counsel, who may be counsel to the Community Facilities District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Indenture in good faith and in accordance therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds, the Special Tax Revenues received by it and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Community Facilities District during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the Community Facilities District a monthly statement with respect to the funds and accounts it holds under the Indenture; provided, however, that the Trustee shall not be obligated to deliver a statement for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the Community Facilities District, the Owners and their agents and representatives duly authorized in writing.

Compensation and Indemnification. The Community Facilities District shall pay to the Trustee from time to time from Special Tax Revenues all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture. The Community Facilities District shall, to the extent permitted by law, from Special Tax Revenues, indemnify and save the Trustee harmless from and against any costs, claims, damages, expenses and liabilities which it may incur in the exercise and performance of its powers and duties under the Indenture (including reasonable legal fees and expenses of counsel retained by the Trustee in connection with the performance of its duties under the Indenture, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the Community Facilities District to indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of the Indenture.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners under the Indenture may be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into when there are filed with the Trustee the written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture relating to disqualified Bonds. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon, extend the time of payment thereof or alter the redemption provisions thereof, without the consent of the Owner of each Bond so affected, (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Indenture prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Indenture or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Indenture, except as expressly provided in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) modify or amend

the provisions of the Indenture summarized under this subcaption (“– Supplemental Indentures”) without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Community Facilities District, the Trustee and the Owners under the Indenture may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Community Facilities District and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Community Facilities District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Community Facilities District in the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture relating to Additional Bonds;

(iv) to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect;

(v) to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the Community Facilities District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the rights or interests of the Owners under the Indenture.

(c) Promptly after the execution by the Community Facilities District and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Community Facilities District), by first-class mail, postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture summarized under the caption “Supplemental Indentures,” the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Community Facilities District, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture summarized under the caption “Supplemental Indentures” may and, if the Community Facilities District so determines, shall bear a notation by endorsement or otherwise in form approved by the Community Facilities District and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date and presentation of such Bond for such

purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Community Facilities District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Community Facilities District and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the Indenture as described under the caption "Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If the Community Facilities District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated therein, then the Owners shall cease to be entitled to the pledge of the Net Special Tax Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Community Facilities District under the Indenture shall thereupon cease, terminate and become void and the Indenture shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Community Facilities District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Community Facilities District all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, the Community Facilities District shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Net Special Tax Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Community Facilities District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties and rights of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Bond, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on such Bond, and to pay to the Owner of such Bond the funds so held by the Trustee as and when such payment becomes due.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture summarized under the subcaption "-- Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture summarized under the subcaption "-- Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Community Facilities District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the Indenture, notice of redemption of such Bond

on said redemption date, said notice to be given in accordance with the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, together with the money, if any, deposited therewith, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Community Facilities District shall have given the Trustee, in form satisfactory to it, irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture summarized under this subcaption (“– Bonds Deemed To Have Been Paid”) and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) above unless the Community Facilities District shall have caused to be delivered to the Community Facilities District and the Trustee (i) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Community Facilities District and the Trustee, in form and in substance acceptable to the Community Facilities District and the Trustee, (ii) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall be in form and in substance acceptable to the Community Facilities District and the Trustee and which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report, and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (iii) a copy of an opinion of Bond Counsel, dated the date of such deemed payment and addressed to the Community Facilities District and the Trustee, in form and in substance acceptable to the Community Facilities District and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, the Indenture has been discharged in respect of such Bond and all agreements, covenants and other obligations of the Community Facilities District under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

Unclaimed Moneys. Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bond which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall be repaid by the Trustee to the Community Facilities District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owner of such Bond shall look only to the Community Facilities District for the payment of such principal, premium or interest.

Miscellaneous

Limitation of Rights. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the Community Facilities District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the Community Facilities District and the Owners.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Community Facilities District of any Bonds, the Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds.

Evidence of Rights of Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Community Facilities District if made in the manner provided in the provisions of the Indenture summarized under this subcaption (“– Evidence of Rights of Owners”).

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Community Facilities District in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Community Facilities District, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee’s right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Community Facilities District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Community Facilities District shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this paragraph and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture relating to unclaimed moneys, but without any liability for interest thereon.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with prudent corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish any such additional funds or accounts as it deems necessary to perform its obligations under the Indenture.

Business Days. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

Waiver of Personal Liability. No member, officer, agent or employee of the Community Facilities District or the County shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing in the Indenture contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by any applicable provision of law or by the Indenture.

Conflict with Act. In the event of any conflict between any provision of the Indenture and any provision of the Act, the provision of the Act shall prevail over the provision of the Indenture.

Conclusive Evidence of Regularity. Bonds issued pursuant to the Indenture shall constitute evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

Governing Laws. The Indenture shall be governed by and construed in accordance with the laws of the State.

APPENDIX D

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

Upon delivery of the Series 2015 Bonds, the Community Facilities District expects to enter into a Continuing Disclosure Agreement with respect to the Series 2015 Bonds in substantially the following form:

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

W I T N E S S E T H :

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

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

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

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

the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Community Facilities District and the Dissemination Agent to determine if the Community Facilities District is in compliance with the first sentence of this subsection (b).

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

(d) The Dissemination Agent shall:

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

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

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

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

(b) The following information:

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

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

(iii) The aggregate assessed value of all parcels within the Community Facilities District on which the Special Taxes are levied in each property classification under the Rate and Method, as shown on the assessment roll of the Riverside County Assessor last equalized prior to the September 30 next preceding the Annual Report Date, the number of units in each property classification under the Rate and Method for the then

current fiscal year, and a statement of assessed value-to-lien ratios therefor, either by individual parcel or by categories (e.g. “below 3:1”, “3:1 to 4:1” etc.).

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

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

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

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

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

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

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the Community Facilities District shall give, or cause to be given, notice of the

occurrence of any of the following events with respect to the Series 2015 Bonds in a timely manner not later than ten business days after the occurrence of the event:

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

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

- (i) Unless described in paragraph (v) of subsection (a) of this Section, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds.

- (ii) Modifications to rights of holders of the Series 2015 Bonds.
- (iii) Optional, unscheduled or contingent Series 2015 Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Series 2015 Bonds.
- (v) Non-payment related defaults.
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

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

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

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

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

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

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

Section 7. Dissemination Agent. The Community Facilities District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the Community Facilities District and the Trustee (if the Trustee is not the Dissemination Agent). The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the Community Facilities District in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Community Facilities District and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Community Facilities District; provided, however, that the Trustee shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015 Bonds, or the type of business conducted;

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

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

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

statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

Section 10. Default. In the event of a failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount of Outstanding Series 2015 Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series 2015 Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Community Facilities District, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Community Facilities District, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

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

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Community Facilities District, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

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

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

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

By: _____

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

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

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

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

Date of Issuance: _____, 2015

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

Dated: _____

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

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

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the Series 2015 Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Community Facilities District, proposes to render its final approving opinion with respect to the Series 2015 Bonds in substantially the following form:

[Delivery Date]

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

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

Ladies and Gentlemen:

We have acted as bond counsel to Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside (the “Community Facilities District”) in connection with the issuance by the Community Facilities District of its Community Facilities District No. 07-2 (Clinton Keith) of the County of Riverside Special Tax Bonds, Series 2015 (the “Bonds”), in the aggregate principal amount of \$_____, pursuant to the Indenture, dated as of August 1, 2015 (the “Indenture”), by and between the Community Facilities District and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate, opinions of counsel to the Community Facilities District and the Trustee, certificates of the Community Facilities District, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Community Facilities District. We have assumed, without undertaking to

verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Community Facilities District in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the Rate and Method or the validity of the Special Tax levied upon any individual parcel. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding special obligations of the Community Facilities District, payable, as provided in the Indenture, solely from Net Special Tax Revenues and the other assets pledged therefor under the Indenture.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of the Community Facilities District. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Indenture creates a valid pledge of, lien on and security interest in all of the amounts held in the Special Tax Fund, the Bond Fund and the Reserve Fund to secure the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms, the provisions of the Indenture and the Act.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

APPENDIX F

BOOK-ENTRY AND DTC

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an

authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

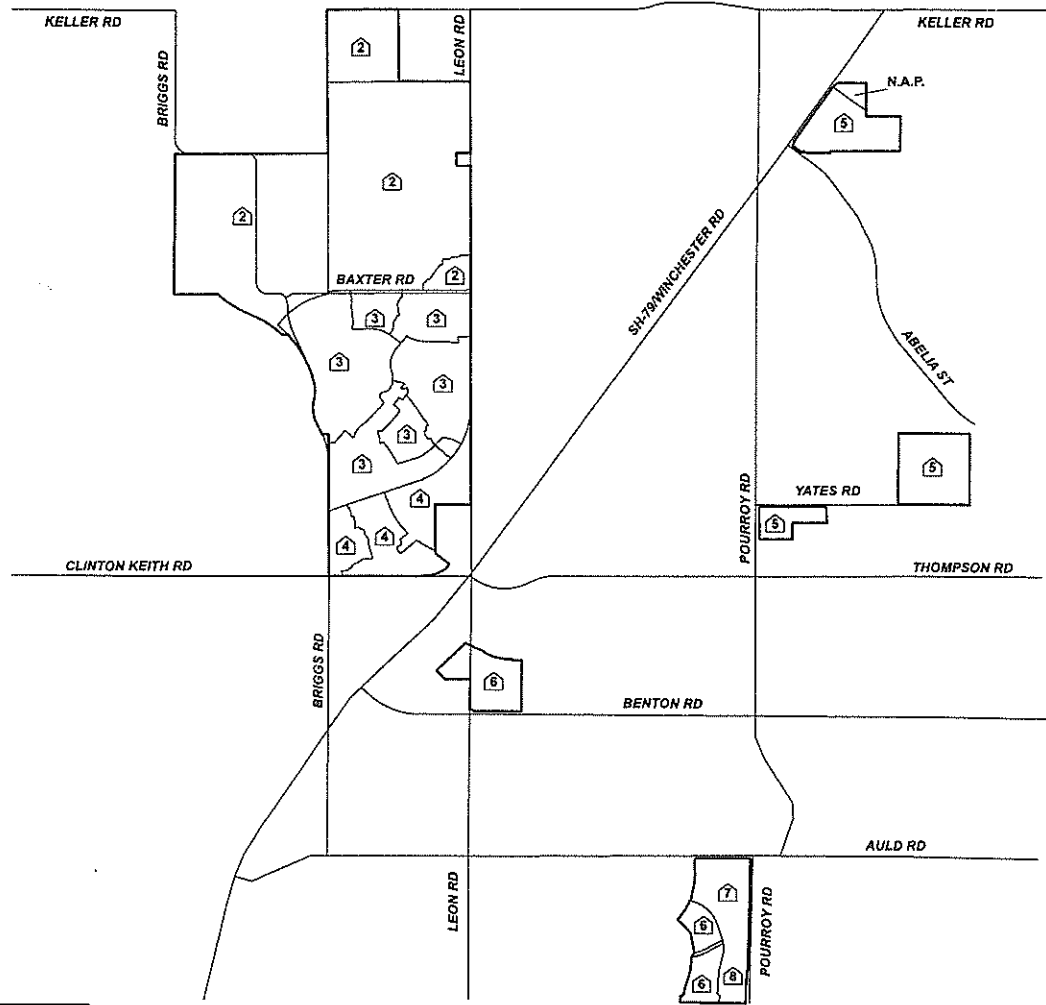
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APPENDIX G
BOUNDARIES

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**PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



RECORDED THIS 21ST DAY OF MAY, 2007 AT THE HOUR OF 9:00 O'CLOCK A. M. IN BOOK 71 PAGE(S) 4-11 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FEE: \$ 21.00 NO. 2007-033426
LARRY W. WARD, RIVERSIDE COUNTY ASSESSOR-CLERK-RECORDER

BY: Liamie A. Santos
DEPUTY

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE AT A REGULAR MEETING THEREOF, HELD ON THE 8 DAY OF May, 2007, BY ITS RESOLUTION NO. 2007-129

Nancy Dennis
CLERK OF THE BOARD OF SUPERVISORS

FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, THIS 14 DAY OF May, 2007.

Nancy Dennis
CLERK OF THE BOARD OF SUPERVISORS

SHEET INDEX MAP

- LEGEND**
- CFD BOUNDARIES
 - TRACT BOUNDARY
 - ⊗ SHEET NUMBER
 - N.A.P. NOT A PART

NOT TO SCALE

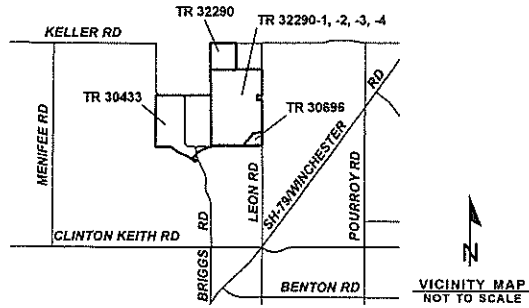


ALBERT A. **WEBB** ASSOCIATES ENGINEERING CONSULTANTS

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.

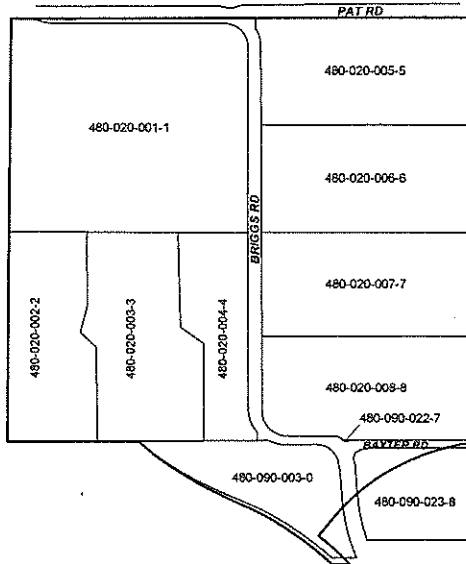
G-3

**PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

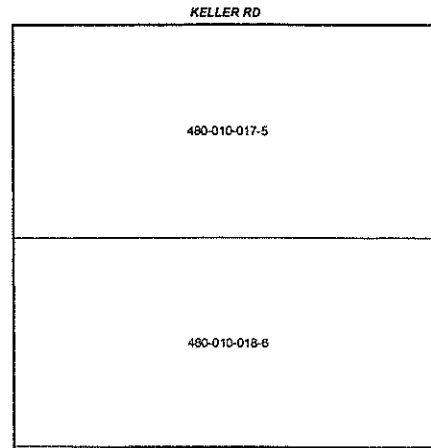


- LEGEND**
- TRACT BOUNDARY
 - PARCELLINE
 - TR X X X X X TRACT MAP
 - XXX-XXX-XXX-X APN

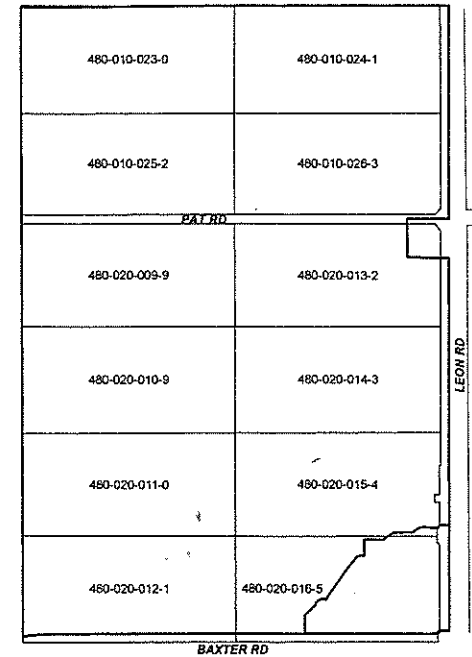
TR 30433



TR 32290



TR 32290-1,-2,-3,-4



TR 30696

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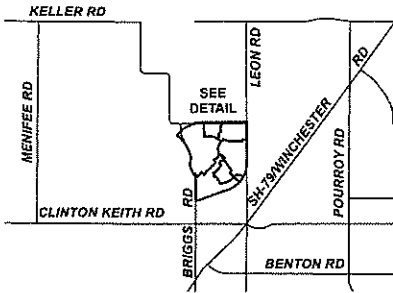
ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

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G-4

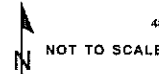
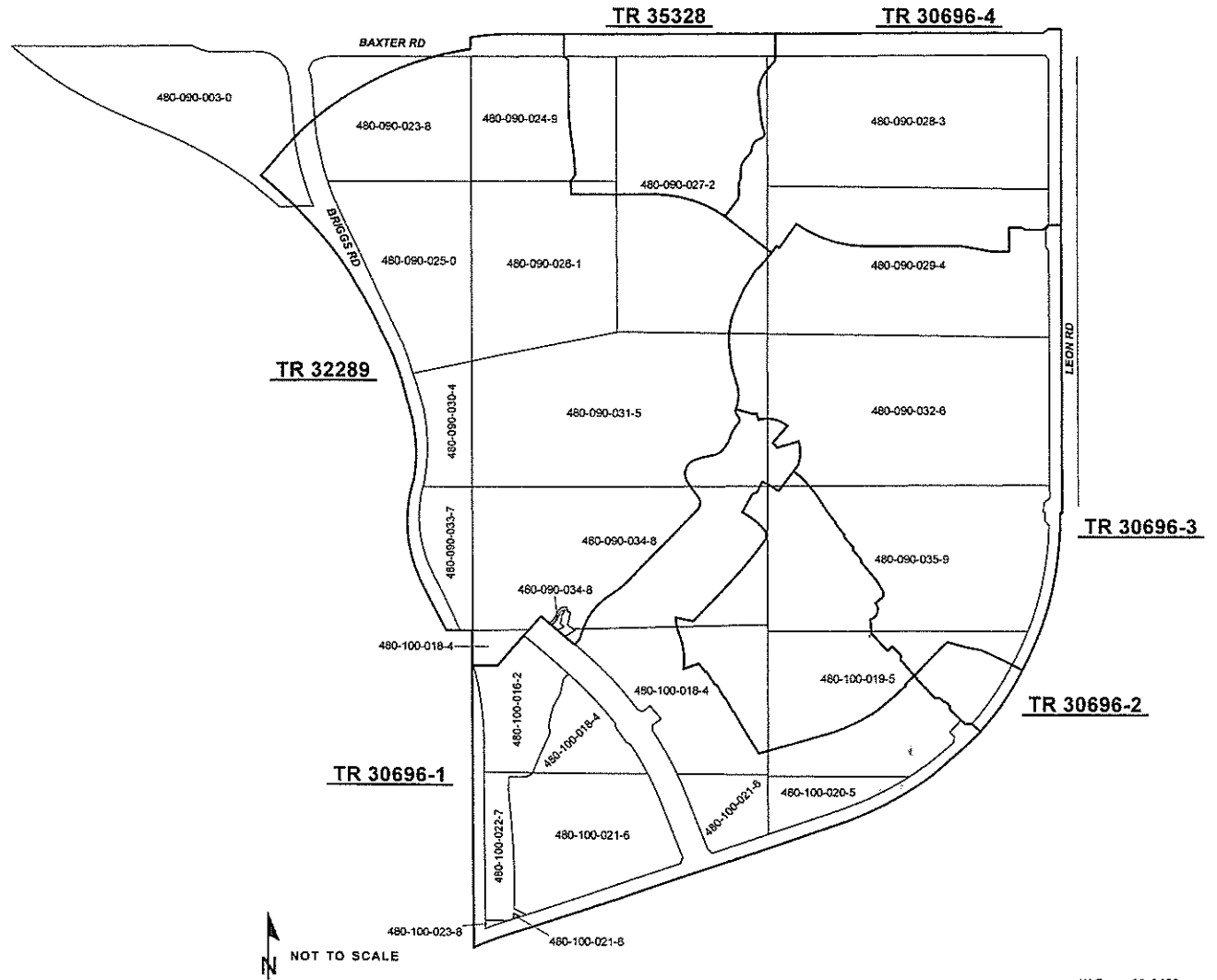
Copy 11/6

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



LEGEND

- TRACT BOUNDARY
- PARCEL LINE
- TR XXXXX TRACT MAP
- XXX-XXX-XXX-X APN

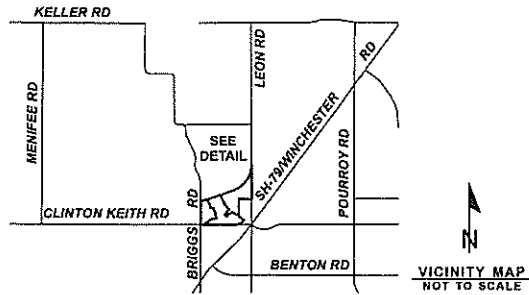


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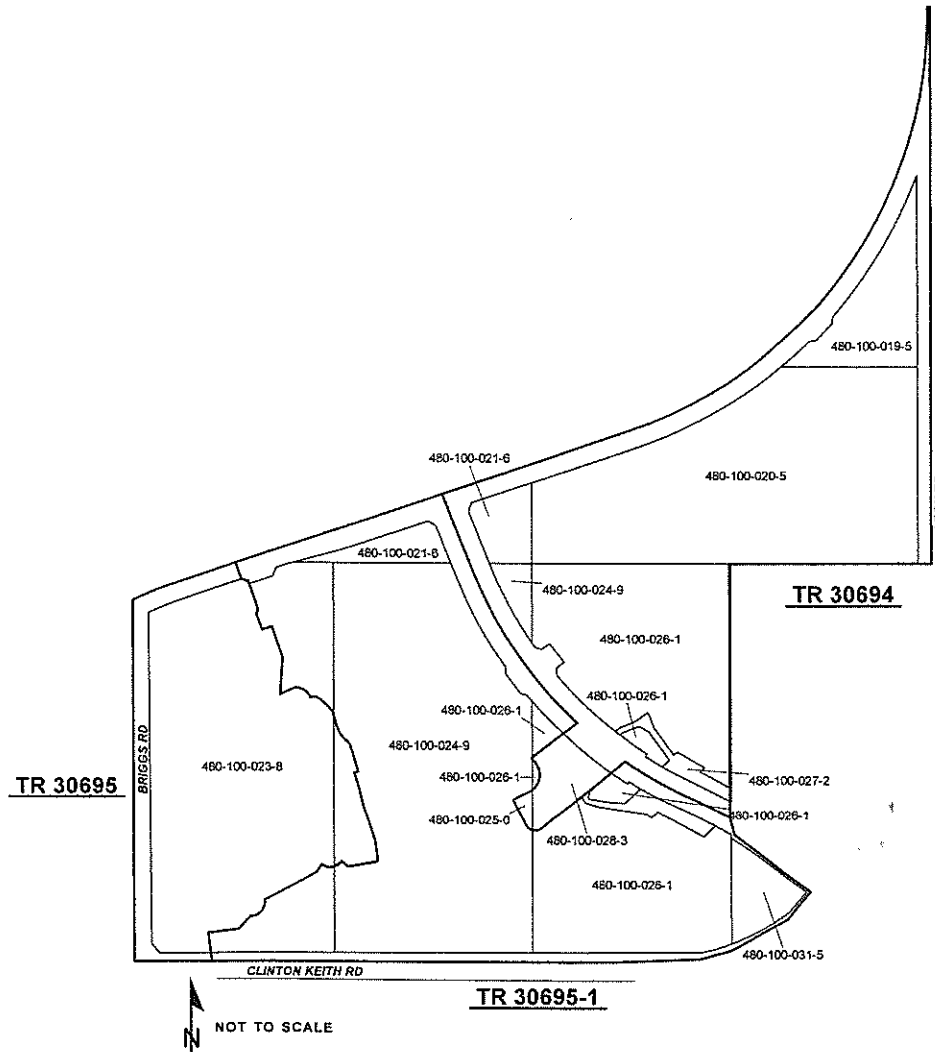
ALBERT A.
WEBB
ASSOCIATES
ENGINEERS - CONSULTANTS

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



- LEGEND**
- TRACT BOUNDARY
 - PARCEL LINE
 - TR X X X X X TRACT MAP
 - XXX-XXX-XXX-X APN

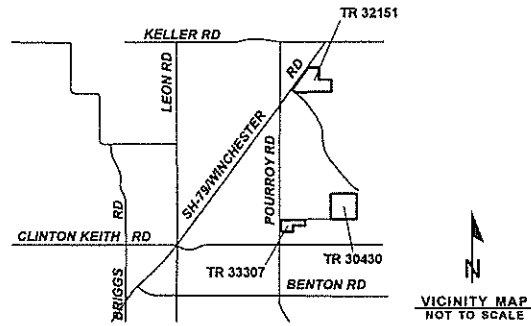


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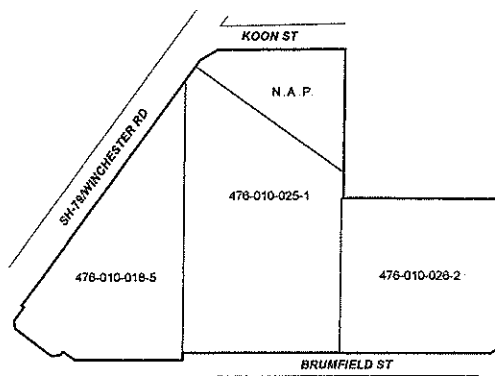
THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

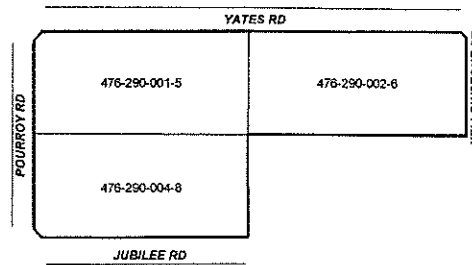


- LEGEND**
- TRACT BOUNDARY
 - PARCEL LINE
 - TR X X X X X TRACT MAP
 - XXX-XXX-XXX-X APN
 - N. A. P. NOT A PART

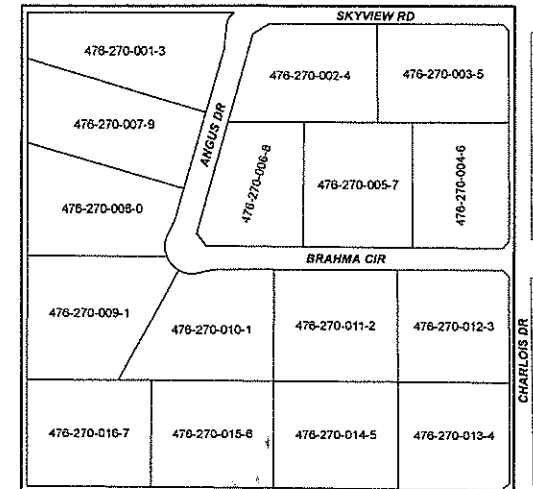
TR 32151



TR 33307



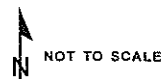
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G-7

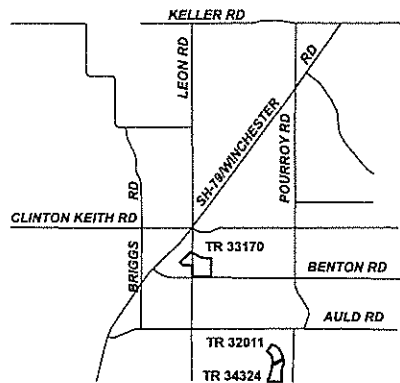


THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.



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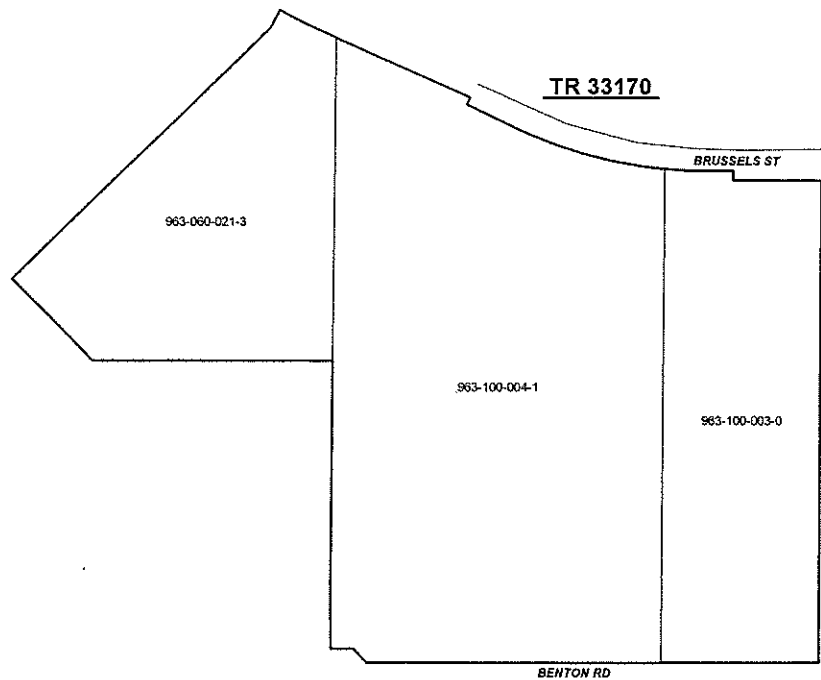
PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



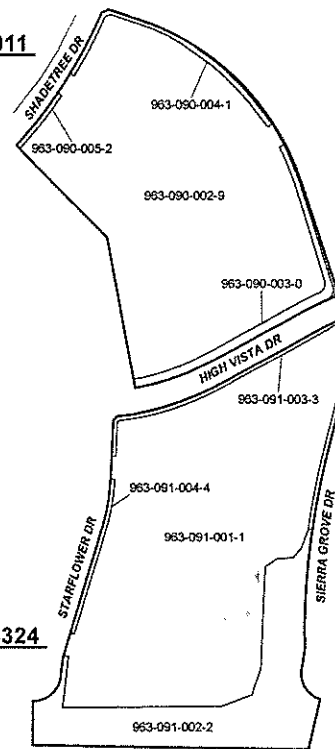
LEGEND

- TRACT BOUNDARY
- PARCEL LINE
- TR X X X X X TRACT MAP
- XXX-XXX-XXX-X APN

G-8



TR 32011



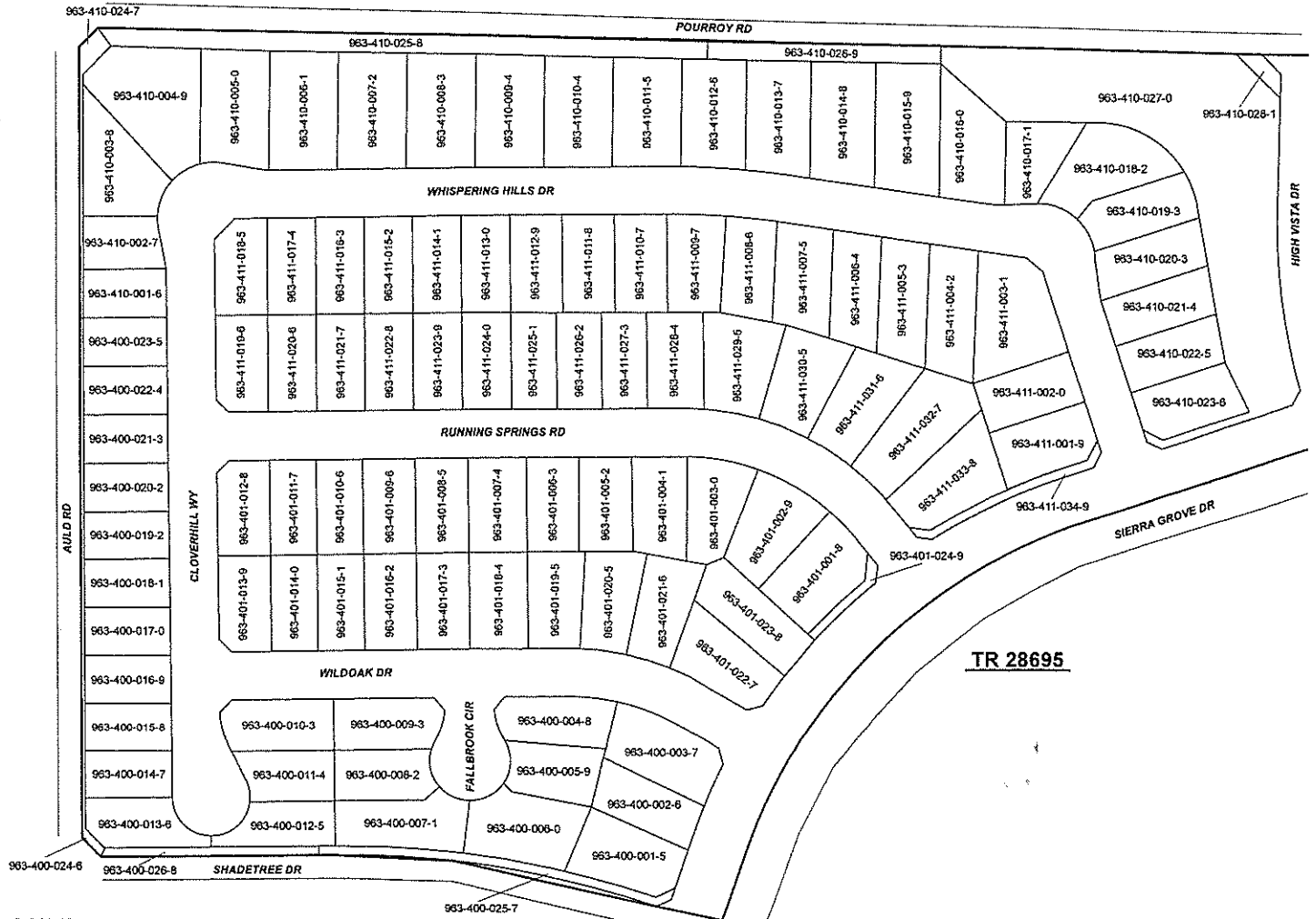
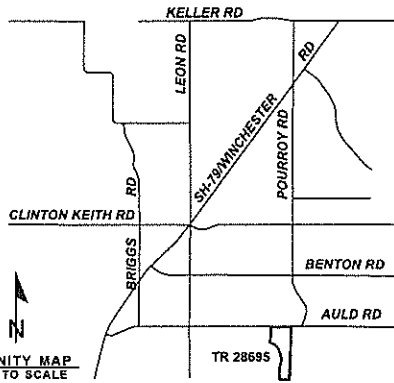
NOT TO SCALE

ALBERT A
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.

Copy 7/10

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-2 (CLINTON KEITH) OF THE COUNTY OF RIVERSIDE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



LEGEND

- TRACT BOUNDARY
- PARCEL LINE
- TR X X X X X TRACT MAP
- XXX-XXX-XXX-X APN

NOT TO SCALE

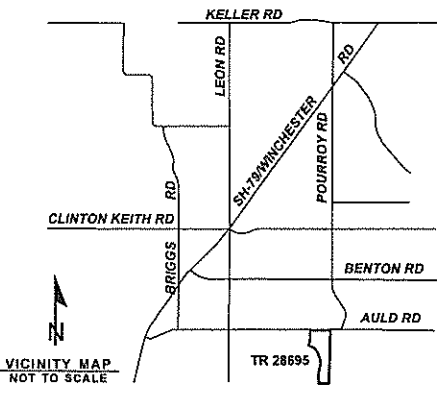
TR 28695



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2008-2009.

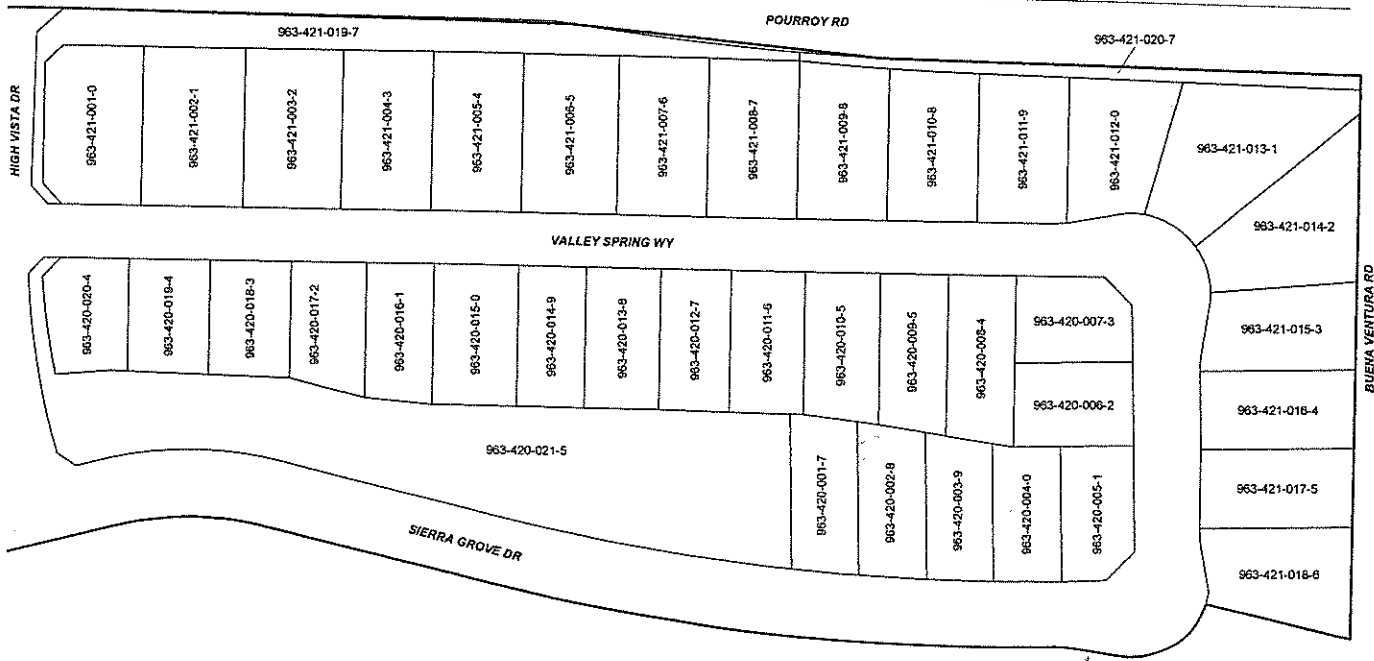
G-9

**PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 07-2
(CLINTON KEITH)
OF THE COUNTY OF RIVERSIDE
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



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NOT TO SCALE

TR 28695



- LEGEND**
- TRACT BOUNDARY
 - PARCEL LINE
 - TR X X X X X TRACT MAP
 - XXX-XXX-XXX-X APN

NOT TO SCALE



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2006-2007.

G-10



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272