NEW ISSUE — BOOK-ENTRY ONLY **NONRATED**

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements discussed herein, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income tax. See "TAX MATTERS."

STATE OF CALIFORNIA **COUNTY OF RIVERSIDE**

$1,955,000
COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE)
OF RIVERSIDE UNIFIED SCHOOL DISTRICT
SPECIAL TAX BONDS, 2004 SERIES A
(SUBORDINATE LIEN BONDS)

Dated: Delivery Date Due: September 1, as shown below

The Special Tax Bonds, 2004 Series A (Subordinate Line Bonds) (the "Bonds") are authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from certain special taxes to be levied on property within Community Facilities District No. 7 (Victoria Grove) (the "District") of Riverside Unified School District (the "School District"), according to the Rates and Method of Apportionment of Special Tax approved by the voters within the District and by the Board of Education of the School District. Payment of principal of and interest on the Bonds is secured by a pledge of and lien upon such special taxes. The Bonds will be issued pursuant to a Fiscal Agent Agreement (the "Fiscal Agent Agreement") dated as of December 1, 2004 between the School District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

Proceeds of the Bonds will be used to finance various public improvements within the District, to fund a reserve fund securing the Bonds, to fund capitalized interest through September 1, 2005 and to pay costs of administration and issuance of the Bonds.

The pledge of revenues derived by the School District from the levy of the Special Taxes is (i) subordinate to the pledge with respect to the District's Special Tax Bonds, 2000 Series A in the currently outstanding aggregate principal amount of $10,555,000 (the "2000 Bonds") and (ii) on a parity basis with respect to the District's Special Tax Bonds, 2002 Series A (Subordinate Lien Bonds) in the currently outstanding aggregate principal amount of $8,040,000 (the "2002 Bonds").

The Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, N.Y. ("DTC"), and will be available to ultimate purchasers in the denomination of $5,000 each or any integral multiple thereof pursuant to the book-entry system maintained by DTC. Ultimate purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2005. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Fiscal Agent, so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See *"THE BONDS — Book-Entry System."*

The Bonds are subject to optional and mandatory redemption as discussed herein. ***See "THE BONDS — Optional Redemption," "— Mandatory Redemption from Special Tax Prepayments" and "— Mandatory Sinking Fund Redemption."***

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE SCHOOL DISTRICT OR THE COUNTY OR GENERAL OBLIGATIONS OF THE DISTRICT, BUT ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AS MORE FULLY DESCRIBED HEREIN.

MATURITY SCHEDULE
SERIAL BONDS

Maturity Date (September 1)	*Principal Amount*	*Interest Rate*	*Price/ Yield*	*CUSIP*[1]	*Maturity Date (September 1)*	*Principal Amount*	*Interest Rate*	*Price/ Yield*	*CUSIP*[1]
2006	$35,000	2.600%	2.600%	769069MX0	2014	$45,000	4.250%	4.250%	769069NF8
2007	35,000	2.900	2.900	769069MY8	2015	50,000	4.300	4.400	769069NG6
2008	35,000	3.100	3.100	769069MZ5	2016	50,000	4.500	4.550	769069NH4
2009	40,000	3.400	3.400	769069NA9	2017	50,000	4.625	4.700	769069NJ0
2010	40,000	3.700	3.700	769069NB7	2018	55,000	4.750	4.850	769069NK7
2011	40,000	3.900	3.900	769069NC5	2019	55,000	5.000	5.000	769069NL5
2012	45,000	4.000	4.000	769069ND3	2020	60,000	5.100	5.100	769069NM3
2013	45,000	4.100	4.100	769069NE1					

$525,000 5.450% Term Bonds Due September 1, 2027, Yield 5.450%, CUSIP[1] 769069NN1
$750,000 5.550% Term Bonds Due September 1, 2034, Yield 5.550%, CUSIP[1] 769069NP6

The purchase of the Bonds involves certain risks. See the section of this Official Statement entitled *"SPECIAL RISK FACTORS"* for a discussion of certain risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds.

This cover page contains information for quick reference only. It is not a complete summary. Investors should read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered, when as and if issued, subject to approval as to their legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the School District by Best Best & Krieger LLP, Riverside, California, as Disclosure Counsel. Additionally, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, has reviewed certain matters for the Underwriter. It is anticipated that the Bonds in book-entry form will be available for delivery through the book-entry system of DTC in New York, New York on or about December 2, 2004.

UBS Financial Services Inc.

Dated: November 16, 2004

RIVERSIDE UNIFIED SCHOOL DISTRICT

BOARD OF EDUCATION

Gayle Cloud
President

Dana S. Kruckenberg
Vice President

Maxine Frost
Clerk

Lewis J. Vanderzyl
Board Member

Michael Goldware
Board Member

OFFICERS

Susan J. Rainey, Ed.D.
Superintendent

Michael H. Fine
Deputy Superintendent
Business Services and Governmental Relations

Kirk R. Lewis, Ed.D.
Assistant Superintendent, Operations

Janet Dixon
Director of Planning and Development

PROFESSIONAL SERVICES

Bond Counsel and
Disclosure Counsel
Best Best & Krieger LLP
Riverside, California

Special Tax Consultant
David Taussig & Associates, Inc.
Riverside, California

Financial Advisor
W. J. Fawell Co.
Carlsbad, California

Appraiser
Bruce W. Hull & Associates, Inc.
Ventura, California

Fiscal Agent

U.S. Bank National Association
Los Angeles, California

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IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and any continuing disclosure documents of the School District and the District are intended to be made available through the School District at the address indicated below. The School District has undertaken to provide certain continuing disclosure pursuant to a Continuing Disclosure Agreement, as described herein, and the Developer has undertaken to provide certain continuing disclosure pursuant to a separate Developer Disclosure Agreement, as described herein. Copies of the resolutions and other documents relating to the issuance of the Bonds are available upon request, and upon payment to the School District of a charge for copying, mailing and handling, from the office of the Superintendent of Riverside Unified School District at 3380 14th Street, Riverside, California 92501.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the School District, the District 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 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 a representation of facts.

The information set forth herein has been obtained from the School District and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, the School District, the District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the School District or the District since the date hereof. All summaries contained herein of any resolutions, the Fiscal Agent Agreement, or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions.

THE UNDERWRITER HAS REVIEWED THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH ITS RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS, BUT DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF THE INFORMATION.

$1,955,000
COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE)
OF RIVERSIDE UNIFIED SCHOOL DISTRICT
SPECIAL TAX BONDS, 2004 SERIES A
(SUBORDINATE LIEN BONDS)

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District (the "District") of its bonds designated Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds) in the aggregate principal amount of $1,955,000 (the "Bonds"). The Bonds will be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Resolution No. 2004/05-23 adopted by the Board of Education of the School District (the "Board of Education") on September 20, 2004 and a Fiscal Agent Agreement dated as of December 1, 2004 (the "Fiscal Agent Agreement") between the Riverside Unified School District (the "School District") and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") which supplements the Fiscal Agent Agreement dated as of May 1, 2000 between the School District and the Fiscal Agent with respect to the Community Facilities District No. 7 (Victoria Grove) Special Tax Bonds, 2000 Series A which were issued on May 31, 2000 (the "2000 Bonds" and the "2000 Bonds Fiscal Agent Agreement"), and the Fiscal Agent Agreement dated as of May 1, 2002 (the "2002 Bonds Fiscal Agent Agreement") between the School District and the Fiscal Agent with respect to the Community Facilities District No. 7 (Victoria Grove) Special Tax Bonds, 2002 Series A (Subordinate Lien Bonds) which were issued on May 15, 2002 (the "2002 Bonds"). Unless otherwise noted, all references in this Official Statement to the "Fiscal Agent Agreement" are to the Fiscal Agent Agreement for the Bonds. The Bonds will be issued only as fully registered bonds in the denominations of $5,000 each or any integral multiple thereof and will be dated as of and bear interest from the date of their delivery at the rates set forth on the cover page hereof.

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 and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of the Bonds to potential investors is made only by means of the entire Official Statement. All capitalized terms used in this Official Statement and not defined will have the meanings set forth in "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT - DEFINITIONS."

Forward-Looking Statements

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 21 E of the United States Securities Exchange Act of 1934, as amended, and Section 27 of 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. Such forward-looking statements include, but are not limited to, certain statements and information contained in the section of this Official Statement entitled "THE DEVELOPMENT PROJECT."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES 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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT.

The District

The District consists of approximately 410 gross acres of partially developed land which are located southwest of the City of Riverside and in the westerly portion of Riverside County. The land within the District is part of the Victoria Grove community. The Victoria Grove Specific Plan of the County of Riverside provides for the development of the property within the District into 1,021 single family homes. As of July 1, 2004, 965 single family homes had been constructed and sold to individual homeowners and 56 homes had yet to be constructed and sold.

Hearthside Homes, Inc. is currently developing a project known as Jasper Ranch within Victoria Grove. Jasper Ranch, which when complete, will consist of 67 single-family homes. As of November 1, 2004, 11 homes had been constructed and sold, 3 model homes had been constructed, 41 homes were under construction and the remaining 12 lots had been graded.

The Mello-Roos Community Facilities Act of 1982, as amended, Section 53311, et seq., of the Government Code of the State of California (the "Act"), was enacted by the California Legislature to provide an alternative method of financing certain public facilities and services, especially in developing areas. When duly established, a community facilities district is a legally constituted governmental entity established for the purpose of financing specific facilities and services within defined boundaries. Subject to approval by a two-thirds vote of the qualified voters within a community facilities district and compliance with the provisions of the Act, a community facilities district may issue bonds and may levy and collect special taxes to repay such bonded indebtedness.

The purpose of the bonded indebtedness to be incurred is to finance the cost of the Project (as hereinafter defined). See "FINANCING PLAN."

Pursuant to the Act, in establishing the District, the Board of Education adopted resolutions stating its intent to form the District, to authorize the levy of special taxes on property within the District (the "Special Taxes") and to authorize the District to incur bonded indebtedness. Following public hearings conducted pursuant to the Act, the Board of Education adopted resolutions establishing the District and calling a special election to submit the levy of the Special Taxes and the incurring of bonded indebtedness to the qualified voters of the District. On September 28, 1999, at a special election held pursuant to the Act, the qualified voters of the District authorized the District to incur bonded indebtedness in an amount not to exceed $25,000,000 and approved the Rate and Method of Apportionment of the Special Tax to be levied to pay the principal of, and interest on, such bonded indebtedness. At that election the qualified voters of the District also authorized the District to incur a bonded indebtedness in the aggregate principal amount of $25,000,000 for financing school facilities for the District and water and sewer facilities and sewage treatment capacity of Western Municipal Water District of Riverside County (the "Water District").

In July and August 2001, the Board of Education conducted proceedings for the annexation of approximately 160 acres of land, which has been developed into 385 single family lots, to the District. On August 28, 2001, at a special election held pursuant to the Act, the qualified electors of the territory proposed to be annexed to the District approved the levy of special taxes pursuant to the Rate and Method of Apportionment of Special Tax on the property therein to pay debt service on the outstanding bonds of the District.

In June and August, 2003, the Board of Education conducted proceedings for the annexation of an additional 19.68 acres of land, which is to be developed into 41 single family lots, to the District. On August 26, 2003, at a special election held pursuant to the Act, the qualified electors of the territory proposed to be annexed to the District approved the levy of Special Taxes pursuant to the Rate and Method of Apportionment of Special Tax for the District within such annexed territory to pay debt service on the outstanding bonds of the District.

The School District has entered into a school facilities mitigation agreement with La Sierra, LLC, the owner and developer of 110 acres of property that constitutes the final phase of the Victoria Grove project that provides for the annexation of that property to the District. Pursuant to that agreement, bonds of the District are to be issued to finance school facilities of the School District and water and sewer system facilities of the Water District. On November 1, 2004, the School District adopted Resolution No. 2004/05-37 declaring its intent to annex this property to the District. A public hearing regarding the annexation of this property to the District will be held on December 13, 2004. See "THE DISTRICT - Summary of Formation Proceedings - Third Annexation."

Outstanding Senior Bonds and Parity Bonds

The 2000 Bonds, which are outstanding in the aggregate principal amount of $10,555,000, are secured by and paid from the revenues derived by the School District from the levy of the Special Taxes on taxable property in the District on a senior basis to the Bonds.

The 2002 Bonds, which are outstanding in the aggregate principal amount of $8,040,000, are secured by and paid from revenues derived by the School District from the levy of the Special Taxes on taxable property in the District on a parity basis to the Bonds.

Sources of Payment for the Bonds

The Bonds are payable from the Special Taxes to be included on the regular property tax bills sent by the County of Riverside Treasurer-Tax Collector (the "County Treasurer") to the record owners of property within the District. The principal of and interest on the Bonds are secured by a lien upon and pledge of the revenues of the Special Taxes levied on taxable property within the District. See "THE DISTRICT - Rate and Method of Apportionment of Special Tax" and Appendix B hereto.

Special Taxes will be levied in each fiscal year on parcels of taxable property in the District in an amount determined to be necessary to pay the portion of the annual debt service on the aggregate principal amount of the outstanding Bonds.

The School District has covenanted for the benefit of the Owners of the Bonds that it will commence judicial foreclosure proceedings against properties with delinquent Special Taxes in excess of $2,500 by the October 1 following the close of each fiscal year in which such Special Taxes were due, and that it will commence judicial foreclosure proceedings against all properties 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 and diligently pursue to completion such foreclosure proceedings. See "SECURITY FOR THE BONDS - The Special Taxes" and " - Covenant for Superior Court Foreclosure."

As additional security for the Bonds, the Reserve Fund will be established (the "Reserve Fund") out of the proceeds of the sale of the Bonds. Pursuant to the Fiscal Agent Agreement, the initial Reserve Requirement for the Bonds is an amount equal to $135,930. Subject to maximum annual amounts of Special Taxes contained in the Rate and Method of Apportionment of Special Tax, if the amount in the Reserve Fund is less than the Reserve Requirement, the School District has covenanted to restore the amount in the Reserve Fund to the Reserve Requirement by the inclusion of a sufficient amount in the next annual Special Tax levy. The ability of the Board of Education, in its capacity as the legislative body of the District, to increase the annual Special Taxes levied to replenish the Reserve Fund is subject to the maximum annual amounts of Special Taxes authorized by the qualified voters of the District. The moneys in the Reserve Fund will be used only for payment of the principal of, and interest and any redemption premium on, the Bonds and, at the direction of the

School District, for deposit in the Rebate Fund. See "SECURITY FOR THE BONDS - Reserve Fund. See "SECURITY FOR THE BONDS – The Special Taxes" and " - Covenant for Superior Court Foreclosure."

Property Values

An appraisal of the property in the District dated July 2, 2004 (the "Appraisal"), was prepared by Bruce W. Hull & Associates, Inc. of Ventura, California (the "Appraiser"). The Appraiser has estimated that as of July 1, 2004 the market value of the taxable property in the District was $336,651,056. The Appraiser has also provided a Limited Appraisal Report – Summary Appraisal to the District dated November 5, 2004, stating that the appraised value of the property in the District was not less than $336,651,056 as of November 5, 2004. Copies of the Appraisal and the Limited Appraisal Report – Summary Appraisal (the "Summary Report") is contained in "APPENDIX A - APPRAISAL."

The ratio of the total amount of the appraised value of property in the District, as determined by the Appraiser, to the amount of bonded indebtedness (the "Value-to-Lien Ratio") which will be outstanding and secured by special taxes and assessments levied on property in the District, upon the issuance of the Bonds, will be approximately 15.23 to 1. See "SPECIAL RISK FACTORS – The Appraisal and Value-to-Lien Ratios." In addition, see "SECURITY FOR THE BONDS – Property Values" and "– Direct and Overlapping Debt and Value-to-Lien Ratios."

Neither the faith and credit nor the taxing power of the School District, the County of Riverside (the "County"), the State of California (the "State") or any political subdivision thereof is pledged to the payment of the Bonds. Except for the Special Taxes, no other taxes are pledged to the payment of the Bonds. The Bonds are not general or special obligations of the School District or the County or general obligations of the District, but are limited obligations of the District payable solely from the Special Taxes as more fully described herein.

Description of the Bonds

The 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 Bonds (the "Beneficial Owners") in the denominations of $5,000 or any 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 Bonds.

Principal of, premium, if any, and interest on the Bonds is payable by the Fiscal Agent 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 system is discontinued with respect to the Bonds, the Beneficial Owners will become the registered Owners of the Bonds and will be paid principal and interest by the Fiscal Agent, as described herein. See "THE BONDS – Book-Entry System" and "– Discontinuance of Book-Entry System."

Tax Matters

In the opinion of Bond Counsel, under existing laws, regulations, rulings and court decisions, the interest on the Bonds is exempt from personal income taxes of the State of California and, assuming certain representations and compliance with certain covenants and requirements described herein, is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax on individuals and corporations. Set forth in Appendix D hereto is the opinion of Bond Counsel expected to be delivered in connection with the issuance of the Bonds. For a more complete discussion of such opinion, see "TAX MATTERS."

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Fiscal Agent under the Fiscal Agent Agreement and as the initial Dissemination Agent under the Continuing Disclosure Agreement. UBS Financial Services Inc. is the Underwriter for the Bonds. All proceedings in connection with the issuance and delivery of the Bonds are subject to the approval of Best Best & Krieger LLP, Riverside, California, Bond Counsel. Certain legal matters will be passed on for the School District by Best Best & Krieger LLP, as Disclosure Counsel. Additionally, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California ("Underwriter's Counsel") has reviewed certain matters for the Underwriter. The scope of the Underwriter's Counsel engagement does not include providing an opinion relating to the contents of this Official Statement. Other professional services have been performed by David Taussig & Associates, Inc., Riverside, California, as Special Tax Consultant, Bruce W. Hull & Associates, Inc., Ventura, California, as Appraiser, and W. J. Fawell Co., Carlsbad, California, as Financial Advisor.

For information concerning circumstances in which certain of the above-named professionals may have a financial or other interest in the offering of the Bonds, see "FINANCIAL INTERESTS."

Special Risks

See the section of this Official Statement entitled "SPECIAL RISK FACTORS" for a discussion of risk factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds. The purchase of the Bonds involves risks, and the Bonds may not be appropriate investments for some types of investors.

Continuing Disclosure

The School District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District by not later than January 31 of each year commencing on January 31, 2005 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if determined by the School District to be material. The Annual Reports will be filed by the Fiscal Agent, as Dissemination Agent on behalf of the School District, with each Nationally Recognized Municipal Securities Information Repository and with any State Repository which may be designated by the State of California. The notices of material events will be filed by the Fiscal Agent, as Dissemination Agent, on behalf of the District with the Municipal Securities Rulemaking Board (the "MSRB") and with any such State Repository which may be designated. The specific nature of the information to be contained in the Annual Reports or the notices of material events is set forth in "APPENDIX E - CONTINUING DISCLOSURE AGREEMENT". These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Other Information

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

Brief descriptions of the Bonds, certain sections of the Fiscal Agent Agreement, security for the Bonds, special risk factors, the District, the School District and the Developer and other information are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Bonds, the Fiscal Agent Agreement, and other resolutions and documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Bonds, the Fiscal Agent Agreement, such resolutions and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights.

Copies of such documents may be obtained from the office of the Superintendent of Riverside Unified School District, 3380 14th Street, Riverside, California 92501.

FINANCING PLAN

The Project

The School District will deposit a portion of the net Bond sale proceeds in the Improvement Fund to finance a portion of the costs associated with the construction of certain public facilities (the "Project"). The Project consists of certain public school facilities of the School District and certain water and sewer system facilities and sewage treatment capacity of the Water District.

The School District and the Water District have entered into a joint community facilities agreement, as authorized by State law, which provides for the issuance of the Bonds to finance the facilities of the Water District which are described above. Pursuant to that agreement, proceeds of the sale of the Bonds which are allocated to the facilities of the Water District in the amount of $565,693 will be deposited in the Water Facilities Account in the Improvement Fund and may only be used by the Water District. Proceeds of the Bonds in the amount of $955,785 will be deposited in the School Facilities Account of the Improvement Fund and may only be used by the School District.

Sources and Uses of Funds

The Bond proceeds will be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$1,955,000.00
Less Original Issue Discount	(1,567.60)
Total Sources	$1,953,432.40
Uses of Funds	
School Facilities Account[(1)]	$955,785.00
Water Facilities Account[(1)]	565,693.00
Reserve Fund	135,930.00
Cost of Issuance Fund[(2)]	177,577.57
Capitalized Interest Sub-account[(3)]	73,481.83
Underwriter's Discount	44,965.00
Total Uses	$1,953.432.40

(1) Subaccount of the Improvement Fund
(2) To pay costs of issuance, including legal fees, printing costs, Appraisal costs, Special Tax Consultant Fees and Fiscal Agent Fees.
(3) Represents capitalized interest on the Bonds through September 1, 2005.

THE BONDS

Description of the Bonds

The Bonds will be issued only as fully registered bonds in the denominations of $5,000 each or any integral multiple thereof and will be dated as of and bear interest from the date of their delivery at the rates set forth on the cover page hereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and will be available to ultimate purchasers under the book-entry system maintained by DTC. See "Book-Entry System" below.

The principal of the Bonds and any premium due upon the redemption thereof will be payable in lawful money of the United States by check of the Fiscal Agent at the principal corporate trust office of the Fiscal Agent in Los Angeles, California, upon presentation and surrender of such Bonds.

Interest on the Bonds is payable by check of the Fiscal Agent mailed by first class mail, postage prepaid, on each March 1 and September 1, commencing March 1, 2005 (each an "Interest Payment Date"), until the principal amount of a Bond has been paid or made available for payment, to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date. The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States by check of the Fiscal Agent upon surrender of the Bonds at the Principal Office of the Fiscal Agent; provided, however, that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Fiscal Agent prior to any Record Date, interest on such Bonds will be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the United States designated in such written request.

The Bonds will bear interest at the rates set forth on the cover page of this Official Statement payable on the Interest Payment Dates in each year. Interest will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated on an Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the Record Date preceding such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it will bear interest from the delivery date of the Bonds; provided, however, that if at the time of authentication of a Bond, interest is in default thereon, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or from the delivery date, if no interest has previously been paid or made available for payment thereon.

So long as DTC is the securities depository for the Bonds, the Fiscal Agent will pay the principal of and interest on the Bonds to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of DTC Participants. See "Book-Entry System" below.

The Bonds will mature and are payable on September 1 in the principal amounts and years as shown on the cover page of this Official Statement.

Authority for Issuance

The Bonds were authorized at a special election held on September 28, 1999 in the District and are issued pursuant to the Fiscal Agent Agreement.

The District was formed and a bonded indebtedness in the amount of $25,000,000 was authorized pursuant to the Act and a resolution adopted by the Board of Education of the School District (the "Board of Education"). Under the provisions of the Act, since there were fewer than 12 registered voters residing within the District at the time of the election, the owners of the land within the District were entitled to cast one vote for each acre or portion of an acre of land which they owned within the District. The landowners voted to authorize the District to incur a bonded indebtedness and to approve, for the purpose of repaying the bonded indebtedness, the annual levy of Special Taxes to be collected within the District. See "THE DISTRICT – Summary of Formation Proceedings."

Purpose of the Bonds

The Bonds are being issued to finance the construction and acquisition of certain public school facilities of the School District and certain water and sewer system facilities and sewage treatment capacity of the Water District (the "Project"). See "FINANCING PLAN".

Optional Redemption

The Bonds are subject to redemption prior to their stated maturity dates on any Interest Payment Date on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of $5,000, at the option of the School District from moneys derived by the School District from any source, at a redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

Redemption Dates (September 1)	Redemption Prices
March 1, 2005 through March 1, 2009	103%
September 1, 2009 and March 1, 2010	102%
September 1, 2010 and March 1, 2011	101%
September 1, 2011 and thereafter	100%

Mandatory Redemption From Special Tax Prepayments

The Bonds are also subject to mandatory redemption prior to their stated maturity dates on any Interest Payment Date, on a pro rata basis among maturities (and by lot within any one maturity), in integral multiples of $5,000, from moneys derived by the School District from Special Tax Prepayments at redemption prices (expressed as percentages of the principal amounts of the Bonds to be redeemed), together with accrued interest to the date of redemption, as follows:

Redemption Dates (September 1)	Redemption Prices
March 1, 2005 through March 1, 2009	103%
September 1, 2009 and March 1, 2010	102%
September 1, 2010 and March 1, 2011	101%
September 1, 2011 and thereafter	100%

Mandatory Sinking Fund Redemption

The outstanding Bonds maturing on September 1, 2027 and September 1, 2034 are subject to mandatory sinking fund redemption, in part, on September 1, 2021 and September 1, 2028, respectively, and on each September 1 thereafter to maturity, by lot, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, and from sinking payments as follows:

TERM BONDS MATURING SEPTEMBER 1, 2027

Redemption Dates (September 1)	Sinking Payment
2021	$65,000
2022	65,000
2023	70,000
2024	75,000
2025	80,000
2026	85,000
2027 (maturity)	85,000

TERM BONDS MATURING SEPTEMBER 1, 2034

Redemption Dates (September 1)	Sinking Payment
2028	$90,000
2029	95,000
2030	100,000
2031	105,000
2032	115,000
2033	120,000
2034 (maturity)	125,000

The amounts in the foregoing schedules shall be reduced by the School District pro rata among redemption dates, in order to maintain substantially level Debt Service, as a result of any prior or partial redemption of the Bonds pursuant to optional redemption or mandatory redemption from special tax prepayments.

Notice of Redemption

Notice of redemption, containing the information required by the Fiscal Agent Agreement, will be mailed by the Fiscal Agent at least 30 days but not more than 60 days prior to the date fixed for redemption to each of certain specified securities depositories selected by the School District and to the registered Owners of the Bonds designated for redemption, at their addresses appearing on the Bond registration books maintained by the Fiscal Agent at its Principal Office; but such mailing will not be a condition precedent to such redemption and failure to mail or receive such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of such Bonds.

From and after the date fixed for redemption, if funds available for the payment of the redemption prices and accrued interest to the redemption date of the Bonds called for redemption will have been deposited in the Bond Fund, such Bonds will cease to be entitled to any benefit under the Fiscal Agent Agreement other than the right to receive payment of the redemption price and accrued interest to the redemption date, and interest will cease to accrue on the Bonds to be redeemed from and after the redemption date specified in the notice of redemption.

Purchase of Bonds by School District

In lieu of payment at maturity or redemption, moneys in the Bond Fund may be used and withdrawn by the Fiscal Agent for purchase of Outstanding Bonds, at public or private sale as and when, and at such prices (including brokerage and other charges) as an authorized officer of the School District may provide in a certificate filed with the Fiscal Agent, but in no event may Bonds be purchased at a price in excess of the principal amount thereof, plus interest accrued to the date of purchase.

Registration of Exchange or Transfer

Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the Fiscal Agent Agreement, for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and interest rate, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Office of the Fiscal Agent, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Fiscal Agent. The Fiscal Agent will collect from the Owner requesting transfer of a Bond any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be exchanged at the Principal Office of the Fiscal Agent only for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity and interest rate. The cost for any services rendered or any expense incurred by the Fiscal Agent in connection with any such exchange will be paid by the District. The Fiscal Agent will collect from the Owner requesting exchange of a Bond any tax or other governmental charge required to be paid with respect to such exchange. Whenever any Bonds will be surrendered for registration of transfer or exchange, the District will execute and the Fiscal Agent will authenticate and deliver a new Bond or Bonds of like aggregate principal amount. No transfers or exchanges of Bonds will be required to be made (i) during the fifteen (15) days preceding the date established by the Fiscal Agent for selection of Bonds for redemption, or (ii) with respect to Bonds which have been selected for redemption.

If any Bond becomes mutilated, the School District, at the expense of the Owner of that Bond, will execute and the Fiscal Agent will authenticate and deliver, a new Bond or Bonds of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of such mutilated Bond. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and, if any indemnity satisfactory to the Fiscal Agent is given, the School District, at the expense of the Owner of that Bond, will execute and the Fiscal Agent will authenticate and deliver a replacement Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Fiscal Agent

U.S. Bank National Association, has been appointed as the Fiscal Agent under the Fiscal Agent Agreement.

The District may remove the Fiscal Agent, and any successor thereto, and may appoint a successor or successors thereto, but any such successor will be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Fiscal Agent may at any time resign by giving written notice to the School District and by giving to the owners of the Bonds notice by mail of such resignation. Upon receiving notice of such resignation, the School District will promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent will become effective upon acceptance of appointment by the successor Fiscal Agent. Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business will be the successor to the Fiscal Agent without the execution or filing of any paper or any further act.

The recitals of facts, covenants and agreements in the Fiscal Agent Agreement and in the Bonds contained will be taken as statements, covenants and agreements of the School District and the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Fiscal Agent Agreement or of the Bonds, nor will the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Fiscal Agent Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent will not be liable in connection with the performance of its duties, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in this Official Statement or other disclosure material prepared or distributed with respect to the issuance of the Bonds. No provision of the Fiscal Agent Agreement will require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Fiscal Agent Agreement or in the exercise of its rights or powers.

Issuance of Parity Bonds

The School District may issue bonds of the District, in addition to the Bonds which shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds on a parity basis with the outstanding Bonds (the "Parity Bonds") in an aggregate principal amount which shall not exceed $4,470,000 for the purpose of financing the construction and acquisition of additional portions of the Project by means of a Supplemental Agreement and without the consent of any Bondowners, upon compliance with the provisions of the Fiscal Agent Agreement.

See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT - ISSUANCE OF PARITY BONDS" for a more detailed summary of the section of the Fiscal Agent Agreement which specifies the conditions that must be satisfied before Parity Bonds may be issued.

The School District has entered into a school facilities mitigation agreement with the owner and developer of the property that comprises the last phase of the Victoria Grove project that provides for the annexation of that property to the District and the issuance of bonds to finance the construction of additional school facilities and water and sewer system facilities. See "THE DISTRICT – Summary of Formation Proceedings – Third Annexation." Those bonds, when and if issued, will be issued on a parity basis with the Bonds.

Defeasance

The Fiscal Agent Agreement provides that if the School District will pay and discharge the entire indebtedness on all Outstanding Bond in one or more of the ways discussed below, then, at the election of the School District, and notwithstanding that any Bonds will not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in the Fiscal Agent Agreement and all other obligations of the School District and the District under the Fiscal Agent Agreement with respect to such Bonds will cease and terminate, except the obligation of the School District to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, the obligation of the School District to pay all amounts owing to the Fiscal Agent for its compensation, and the obligations of the School District pursuant to the covenants relating to exclusion of interest on the Bonds from gross income for federal income tax purposes; and thereafter Special Taxes will not be payable to the Fiscal Agent.

The School District may pay and discharge the entire indebtedness on all Outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest and any premium on all such Bonds, as and when the same become due and payable;

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Special Tax Fund, including the Surplus Account (which is available to pay Debt Service on the Bonds), the 2004 Series A, Subordinate Bonds Interest Account, the 2004 Series A, Subordinate Bonds Principal Account and the Reserve Fund, is fully sufficient to pay all such Bonds, including all principal, interest and redemption premiums, if any; or

(c) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Federal Securities in such amount as the School District determines, as confirmed by an Independent Financial Consultant, will, together with the interest to accrue thereon and amounts then on deposit in the Special Tax Fund, including the Surplus Account (which is available to pay Debt Service on the Bonds), the 2004 Series A, Subordinate Bonds Interest Account, the 2004 Series A Subordinate Bonds Principal Account and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Debt Service Schedule

The following is the debt service schedule for the Bonds, assuming no redemption other than mandatory sinking fund redemptions.

Debt Service Schedule

Year Ending September 1	Principal	Interest	Total Debt Service
2005		$73,481.83	$73,481.83
2006	$35,000	98,340.00	133,340.00
2007	35,000	97,430.00	132,430.00
2008	35,000	96,415.00	131,415.00
2009	40,000	95,330.00	135,330.00
2010	40,000	93,970.00	133,970.00
2011	40,000	92,490.00	132,490.00
2012	45,000	90,930.00	135,930.00
2013	45,000	89,130.00	134,130.00
2014	45,000	87,285.00	132,285.00
2015	50,000	85,372.50	135,372.50
2016	50,000	83,222.50	133,222.50
2017	50,000	80,972.50	130,972.50
2018	55,000	78,660.00	133,660.00
2019	55,000	76,047.50	131,047.50
2020	60,000	73,297.50	133,297.50
2021	65,000	70,237.50	135,237.50
2022	65,000	66,695.00	131,695.00
2023	70,000	63,512.50	133,152.50
2024	75,000	59,337.50	134,337.50
2025	80,000	55,250.00	135,250.00
2026	85,000	50,890.00	135,890.00
2027	85,000	46,257.50	131,257.50
2028	90,000	41,625.00	131,625.00
2029	95,000	36,630.00	131,630.00
2030	100,000	31,357.50	131,357.50
2031	105,000	25,807.50	130,807.50
2032	115,000	19,980.00	134,980.00
2033	120,000	13,597.50	133,597.50
2034	125,000	6,937.50	131,937.50
TOTALS	**$1,955,000.00**	**$1,980,129.33**	**$3,935,129.33**

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 securities that its participants (the "Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 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, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 securities are credited, which may or may not be the Beneficial Owners. The 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 which may be in effect from time to time.

Redemption notices will be sent to Cede & Co. 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 issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to an issuer 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, mandatory redemption and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. 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 Participants and not of DTC, the Fiscal Agent, the School District or the District, subject to any statutory or regulatory requirements which may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the School District or the Fiscal Agent, 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.

The School District and the District cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The School District and the District are not responsible or liable for the failure of DTC or any DTC

Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

The foregoing description of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer 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 and the School District takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Discontinuance of Book-Entry System

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Fiscal Agent and discharging its responsibilities with respect thereto under applicable law or the School District may terminate participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the School District will execute, and the Fiscal Agent will authenticate and make available for delivery, replacement Bonds in the form of registered bonds.

SECURITY FOR THE BONDS

The Bonds, the 2002 Bonds and the 2000 Bonds are payable from the annual Special Taxes to be levied on and collected from property within the District which is subject to the Special Taxes and proceeds, if any, from the sale of such property for delinquency of such Special Taxes, net of costs of collection and amounts set aside to pay Administrative Expenses. The Bonds are also payable from proceeds of the Bonds deposited in the Reserve Fund. The amount of Special Taxes that may be levied in the District in any year is strictly limited by the maximum Special Tax rates approved by the qualified electors in the District. See "THE DISTRICT - Rate and Method of Apportionment of Special Tax" and Appendix B hereto. The pledge of and lien upon the Special Taxes for the Bonds is subordinate to the pledge of and lien upon the Special Taxes for the 2000 Bonds and on a parity basis with respect to the pledge of and lien upon the Special Taxes for the 2002 Bonds.

Amounts in the Special Tax Fund will constitute a trust fund for the benefit of the Owners of the 2000 Bonds, the 2002 Bonds and the Bonds to be applied to the payment of the principal of, and interest on, the 2000 Bonds, the 2002 Bonds and the Bonds and so long as the Bonds, the 2002 Bonds and the 2000 Bonds remain Outstanding, will not be used for any other purpose, except as permitted by the Fiscal Agent Agreement. Special Taxes and other amounts, if any, deposited in the Administrative Expense Fund and the Rebate Fund are not pledged to the payment of any of the Bonds, and neither of such funds will be construed as a trust fund held for the benefit of the Owners of the Bonds.

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, the Special Taxes are exempt from the tax rate limitations of California Constitution Article XIII A pursuant to Section 4 thereof as a "special tax" authorized by a two-thirds vote of the qualified electors of the District. Consequently, the District has the power and is obligated to cause the levy and collection of the Special Taxes in an amount determined according to a methodology which the Board of Education and the qualified electors in the District have approved (the "Rate and Method of Apportionment of Special Tax"). See "The Special Taxes" below. However, Article XIII C of the California Constitution may allow the voters in the District (or perhaps in the School District), under certain conditions, to adopt an ordinance by initiative which would reduce or repeal the Special Taxes. See "SPECIAL RISK FACTORS - Constitutional Amendment." The Rate and Method of Apportionment of Special Tax apportions the total debt service requirement (principal and interest and restoration of the Reserve Fund, if required) each year among the taxable parcels in the District. See "THE DISTRICT - Rate and Method of Apportionment of Special Tax"

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE SCHOOL DISTRICT, THE COUNTY OF RIVERSIDE, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS. EXCEPT FOR THE SPECIAL TAXES, NO OTHER TAXES ARE PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS ARE NOT GENERAL OR SPECIAL OBLIGATIONS OF THE SCHOOL DISTRICT BUT ARE SPECIAL OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE SPECIAL TAXES AND OTHER AMOUNTS PLEDGED UNDER THE FISCAL AGENT AGREEMENT AS MORE FULLY DESCRIBED HEREIN.

The Special Taxes

The School District has covenanted to fix and levy the amount of Special Taxes required for the payment of the principal of, and interest on, the Bonds, the 2002 Bonds and the 2000 Bonds, for deposit in the reserve fund for the 2000 Bonds, the 2002 Bonds and the Reserve Fund any amount necessary to maintain the amount in the reserve fund for the 2000 Bonds, the reserve fund for the 2002 Bonds or the Reserve Fund at an amount equal to the applicable reserve requirement and, to the extent permitted by law, for payment of the Administrative Expenses. Any Special Tax levy, however, is limited to the maximum rates of Special Taxes authorized by the qualified electors of the District, as set forth in the Rate and Method of Apportionment of Special Tax, and no assurance can be given that the necessary amounts will in fact be collected in any given year. See "THE DISTRICT – Rate and Method of Apportionment of Special Tax" and Appendix B hereto.

The Special Taxes will be billed with property taxes and collected by the County Treasurer-Tax Collector. When received, Special Taxes will be deposited in the Administrative Expense Fund (as hereinafter defined) for payment of Administrative Expenses, in the Interest Account and the Principal Account in the Bond Fund (as hereinafter defined) for the payment of debt service on the 2000 Bonds, then to the reserve fund for the 2000 Bonds to the extent necessary to restore the balance therein to the reserve requirement for the 2000 Bonds, then in proportionate amounts (i) to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account in the Bond Fund for the payment of the Bonds and the 2002 Bonds, (ii) to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account to pay interest on and principal of the Bonds and then in proportionate amounts (iii) to the reserve fund for the 2002 Bonds to the extent necessary to restore the amount on deposit therein to the reserve requirement and (iv) and then to the Reserve Fund to the extent necessary to restore the balance therein to the Reserve Requirement.

Although the Special Taxes will be levied on taxable parcels within the District, they do not constitute a personal indebtedness of the property owners. There is no assurance that the property owners will be financially able to pay the annual Special Taxes or that they will pay such taxes even if financially able to do so. See "SPECIAL RISK FACTORS – Payment of Special Taxes."

Special Tax Fund

The fiscal agent agreement for the 2000 Bonds (the "2000 Bonds Fiscal Agent Agreement") establishes a Special Tax Fund (the "Special Tax Fund"). All moneys received from the annual Special Taxes levied and collected within the District and earnings thereon and net proceeds from the sale of property for delinquent Special Taxes (the "Special Tax Revenues") will be deposited in the Special Tax Fund and, except as otherwise authorized by the 2000 Bonds Fiscal Agent Agreement, the 2002 Bonds Fiscal Agent Agreement and the Fiscal Agent Agreement, will be used first for the purpose of paying the principal of, and interest on, the 2000 Bonds, paying Administrative Expenses of the School District and the District, restoring the reserve fund of the 2000 Bonds to the reserve requirement for the 2000 Bonds, and then for paying the principal of and interest on the 2002 Bonds and the Bonds and restoring the reserve fund for the 2002 Bonds to the reserve requirement for the 2002 Bonds and restoring the Reserve Fund to the Reserve Requirement.

The Special Tax Revenues received by the Fiscal Agent from the County Treasurer will be deposited into the Special Tax Fund. Amounts in the Special Tax Fund will constitute a trust fund held for the benefit of the Owners of the 2000 Bonds, the 2002 Bonds and the Bonds to be applied to the payment of interest on and principal of the 2000 Bonds, the 2002 Bonds and the Bonds, and so long as any of the 2000 Bonds, the 2002

Bonds and the Bonds or interest thereon remain Outstanding will not be used for any other purpose, except as permitted by the 2000 Bonds Fiscal Agent Agreement, the 2002 Bonds Fiscal Agent Agreement and the Fiscal Agent Agreement. Moneys held by the Fiscal Agent in the Special Tax Fund may be invested in certain "Permitted Investments" which are identified in the Fiscal Agent Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT - Definitions" attached hereto as Appendix C.

Interest Account and Principal Account

On or before each Interest Payment Date, after making deposits, required by the 2000 Bonds Fiscal Agent Agreement, into the Interest Account and the Principal Account of the Bond Fund to pay interest on and principal of the 2000 Bonds and, if necessary, into the reserve fund for the 2000 Bonds to restore the amount on deposit therein to the reserve requirement for the 2000 Bonds, the Fiscal Agent will transfer from the Special Tax Fund (including the Surplus Account therein) and deposit into the following respective accounts in the Bond Fund, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Special Tax Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

2004 Series A Subordinate Bonds Interest Account; Capitalized Interest Sub-account. On or before each Interest Payment Date, the Fiscal Agent will deposit in the 2004 Series A, Subordinate Bonds Interest Account the amount required to cause the aggregate amount on deposit in the 2004 Series A, Subordinate Bonds Interest Account to equal the amount of interest becoming due and payable on the Bonds on such date. No deposit need be made into the 2004 Series A, Subordinate Bonds Interest Account on any Interest Payment Date if the amount on deposit therein is at least equal to the interest becoming due and payable on the Bonds on such date. All moneys in the 2004 Series A, Subordinate Bonds Interest Account will be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it will become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the 2004 Series A, Subordinate Bonds Interest Account, except in the Capitalized Interest Sub-account, on the first day of any Bond Year, to the extent not required to pay any interest then having become due and payable on the Outstanding Bonds, will be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account of the Special Tax Fund.

On or before the Interest Payment Date which occurs on March 1, 2005, the Fiscal Agent will withdraw from the Capitalized Interest Sub-account and transfer to the 2004 Series A, Subordinate Bonds Interest Account the amount which is necessary to cause the amount on deposit in the 2004 Series A, Subordinate Bonds Interest Account to be equal to the amount of Debt Service which is due and payable on the Outstanding Bonds on such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-account on March 2, 2005 will be withdrawn by the Fiscal Agent and transferred to the Surplus Account and the Capitalized Interest Sub-account will be closed.

2004 Series A Subordinate Bonds Principal Account. On or before each September 1, the Fiscal Agent will deposit in the 2004 Series A, Subordinate Bonds Principal Account the amount required to cause the aggregate amount on deposit in the 2004 Series A, Subordinate Bonds Principal Account to equal the principal amount of the Bonds becoming due and payable on such Interest Payment Date, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premium) required to be redeemed on such date. All moneys in the 2004 Series A, Subordinate Bonds Principal Account will be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the 2004 Series A, Subordinate Bonds Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having become due and payable, will be withdrawn therefrom and transferred to the Surplus Account of the Special Tax Fund.

On the first Business Day following each Interest Payment Date, the Fiscal Agent will transfer any moneys remaining on deposit in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, other than moneys on deposit in the Capitalized Interest Sub-account and the Special Tax Prepayments Account, to the Surplus Account in the Special Tax Fund.

In the event that moneys on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, after making all disbursements required by the 2000 Bonds Fiscal Agent Agreement to pay debt service on the 2000 Bonds and to restore the reserve fund for the 2000 Bonds to the reserve requirement for the 2000 Bonds, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, as provided in 2002 Bonds Fiscal Agent Agreement, and in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, as provided above, the Fiscal Agent shall deposit the available funds first in proportionate amounts, as directed in writing by an Authorized Officer in the Subordinate Bonds Interest Account and in the 2004 Series A, Subordinate Bonds Interest Account up to the full amount required to cause the aggregate amounts on deposit therein to equal the amounts of interest becoming due and payable on the 2002 Bonds and the Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Special Tax Fund in proportionate amounts, as directed in writing by an Authorized Officer in the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account up to the full amount required to cause the aggregate amount on deposit in each such account to equal the amount, if any, of principal becoming due and payable on the 2002 Bonds and the Bonds on the Interest Payment Date. If, after making such deposits to the Subordinate Bonds Interest Account, 2004 Series A, Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account, and after transferring moneys from the Reserve Fund to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, the amount on deposit in the 2004 Series A, Subordinate Bonds Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds.

The Bonds and the 2002 Bonds are parity bonds and the Fiscal Agent will therefore transfer moneys from the Special Tax Fund (including the Surplus Account) to the Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account in the Bond Fund in proportionate amounts on an equal basis, without priority.

Reserve Fund

The amount of $135,930, representing the Reserve Requirement, will be deposited in the Reserve Fund on the date of the delivery of the Bonds, which is held separately from the reserve fund established for the 2000 Bonds, and is not available for payment of debt service for the 2000 Bonds. Amounts on deposit in the Reserve Fund will be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account in the event of any deficiency at any time in either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or for the purpose of redeeming Bonds. The Reserve Requirement is that amount as of any date of calculation by the School District which is equal to the lesser of (i) 10% of the proceeds of the sale of the Bonds, (ii) Maximum Annual Debt Service on the Bonds and (iii) 125% of average Annual Debt Service on the Bonds.

Investment of Moneys

Moneys in the funds and accounts created by the Fiscal Agent Agreement and held by the Fiscal Agent will be invested by the Fiscal Agent in certain Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent will invest any such moneys in money market funds including funds for which the Fiscal Agent or any of its affiliates provides investment management services. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account, subject, however, to the requirements of the Fiscal Agent Agreement for transfer of investment earnings in funds and accounts to the Rebate Fund. The Fiscal Agent may make any investments through its own bond or investment department or trust investment department, or those of its parent or any affiliate.

Covenant for Superior Court Foreclosure

In the event of a delinquency in the payment of any installment of Special Taxes, the School District is authorized by the Act to order institution of an action in the Superior Court of the County to foreclose any lien therefor. Such an action may result in the real property subject to such Special Taxes being sold at judicial foreclosure sale. The ability of the School District to foreclose the lien of delinquent Special Taxes may be limited in certain instances, such as by the bankruptcy of the property owner, and may require prior consent in the event the property is owned by or in receivership of the Federal Deposit Insurance Corporation see "SPECIAL RISK FACTORS - Bankruptcy" and " - Payments by FDIC."

The School District has covenanted, in the Fiscal Agent Agreement, to commence judicial foreclosure proceedings against properties with delinquent Special Taxes in excess of $2,500 by the October 1 following the close of each fiscal year in which such Special Taxes were due, and that it will commence such foreclosure proceedings against all properties 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 and diligently pursue to completion such foreclosure proceedings.

If the Reserve Fund is depleted, there could be a default or a delay in payments to Owners of the Bonds pending prosecution of foreclosure proceedings and receipt by the School District of foreclosure sale proceeds. However, within the limits of the Rate and Method of Apportionment of Special Tax, the School District may adjust the Special Taxes levied on all taxable property within the District to provide an amount required to pay debt service on the Bonds and to replenish the Reserve Fund. See "THE DISTRICT - Rate and Method of Apportionment of Special Tax."

Under current law, a judgment debtor (property owner) has at least 120 days from the date of service of the notice of levy in which to redeem the property to be sold. If a judgment debtor fails to redeem and the property is sold, his only remedy is an action to set aside the sale, which must be brought within 90 days of the date of sale. This remedy is not available unless the judgment creditor purchases the property at the foreclosure sale. If, as a result of such an action, a foreclosure sale is set aside, the judgment is revived, the judgment creditor is entitled to interest on the revived judgment, and any liens extinguished by the sale are revived as if the sale had not been made.

Other Covenants

The School District has made the following covenants in the Fiscal Agent Agreement, among others, for the benefit of the Owners of Bonds:

Punctual Payment. The School District will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of the Fiscal Agent Agreement and any Supplemental Agreement to the extent that the Special Tax Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Fiscal Agent Agreement and all Supplemental Agreements and of the Bonds.

Against Encumbrances. The School District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds (other than the existing pledge thereof and lien thereon securing the 2000 Bonds and the 2002 Bonds) superior to or on a parity with the pledge and lien created for the benefit of the Bonds and the 2002 Bonds, except as permitted by the Fiscal Agent Agreement.

Protection of Security and Rights of Owners. The School District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the School District, the Bonds will be incontestable by the School District.

Collection of Special Tax Revenues. The School District will comply with all requirements of the Act, including the enactment of necessary ordinances, so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of the payment or collection of delinquent Special Taxes. The School District will fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any Outstanding Bonds, any Outstanding 2000 Bonds and any Outstanding 2002 Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund and an amount estimated to be sufficient to pay the Administrative Expenses during such calendar year. The Special Taxes so levied will not exceed the authorized amounts as provided in the proceedings for the establishment of the District.

The School District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to certain provisions of the Act in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the School District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds remaining Outstanding following such tender.

Reduction of Maximum Special Tax Rates. The School District covenants that, to the extent that it is legally permitted to avoid doing so, it will not initiate and conduct proceedings to reduce the maximum rates of Special Taxes which are authorized to be levied on taxable parcels or property within the District (the "Maximum Rates"); provided, however, that the Maximum Rates may be reduced upon the full or partial prepayment of the obligation of a parcel of property within the District to pay the Special Taxes as permitted by the Rate and Method of Apportionment of Special Tax.

The School District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Prepayment of Special Taxes. The School District will cause all applications of owners of property in the District to prepay and satisfy the Special Tax obligation for their property to be reviewed by an Independent Financial Consultant and will not accept any such prepayment unless such consultant certifies in writing that following the acceptance of the proposed prepayment by the School District and the redemption of Bonds with such prepayment, the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in the District which following such prepayment will be subject to the levy of the Special Taxes to (ii) Maximum Annual Debt Service on the 2000 Bonds, the 2002 Bonds and the Bonds which will remain Outstanding following such redemption (e.g., 1.10 to 1.0) will not be less than such ratio as it existed prior to such prepayment. For purposes of such certification, "Developed Property" means a parcel of property for which a building permit has been issued by the County of Riverside for the construction of a residence or a commercial building.

Calculation of Prepayments. The School District will not include in any calculation of the amount necessary to prepay and permanently satisfy the Special Tax obligation of any parcel of taxable property in the District a proportionate amount of the amount then on deposit in the Reserve Fund, if at the time of such calculation the amount on deposit in the Reserve Fund is less than the Reserve Requirement; provided, however, that in such event the School District may pay to the owner of any such property who prepays and permanently satisfies the Special Tax obligation for his or her property, under such circumstances, such a proportionate amount if the amount on deposit in the Reserve Fund is thereafter increased to the Reserve Requirement.

The School District has also covenanted in the Fiscal Agent Agreement to transfer an amount equal to any Rebatable Arbitrage to, and hold all amounts required to be rebated to the federal government in, the Rebate Fund. In the event that the amounts in the Rebate Fund are insufficient, however, there is no assurance that the School District will have sufficient moneys to fulfill its obligation to rebate Rebatable Arbitrage to the federal government. In such event, interest on the Bonds could be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. See "TAX MATTERS" and "SPECIAL RISK FACTORS – Loss of Tax Exemption."

Supplemental Agreements

The Fiscal Agent Agreement may be modified or amended at any time, without notice to or the consent of any Bondowners, by a Supplemental Agreement for any of the following purposes: (a) to add to the covenants and agreements of the School District in the Fiscal Agent Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power reserved to or conferred upon the School District; (b) to make modifications not adversely affecting any Outstanding Bonds in any material respect; (c) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Fiscal Agent Agreement, or in regard to questions arising under the Fiscal Agent Agreement, as the School District and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Fiscal Agent Agreement, and which will not adversely affect the rights of the Owners of the Bonds; or (d) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Internal Revenue Code of 1986, as amended, relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

The Fiscal Agent Agreement may also be modified or amended by a Supplemental Agreement pursuant to an affirmative vote of the Owners of at least 60% in aggregate principal amount of the Bonds Outstanding. However, no such modification or amendment may (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the School District on behalf of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation of any pledge of or lien upon the Special Tax Revenues, or the moneys on deposit in the Bond Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State or the Fiscal Agent Agreement), (iii) reduce the percentage of Bonds required for the amendment of the Fiscal Agent Agreement, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon.

Property Values

The Appraisal was prepared to estimate the market value of the property within the District based on certain assumptions. The Appraisal presents the valuation of the property within the District in three sections. Section I relates to property currently owned by the merchant/builder Hearthside Homes, Inc. and is valued at $11,490,000. See "THE DEVELOPMENT PROJECT – Jasper Ranch" hereto. Section II relates to individually owned properties that were recently purchased. The current market value of these properties is not yet shown on the Riverside County Assessor's assessment roll. The total appraised value for the properties within Section II is estimated by the Appraiser to be $206,607,202. Section III contains the assessed value for home sales that were completed and reported on the Riverside County assessor's roll for 2003-04. The total assessed value for these homes is $118,553.854. The Appraisal concludes that as of July 1, 2004, the market value of all the property within the District was $336,651,056. The Appraiser has also provided a Limited Appraisal Report – Summary Appraisal to the District dated November 5, 2004, stating that the appraised value of the property within the District was not less than $336,651,056 as of November 5, 2004.

The ratio of the appraised value of taxable property in the District, as set forth in the Appraisal, to the aggregate principal amount of the Bonds and the other bonded indebtedness which is secured by special taxes and assessments levied on property in the District is 15.23 to 1.

The foregoing ratio represents a District-wide average and the actual ratios for parcels of land vary. No assurance can be given that the foregoing ratio can or will be maintained during the period of time that the Bonds are Outstanding in that the actual value of the property may vary from that estimated by the Appraiser, and the School District has no control over the amount of additional indebtedness that may be issued in the future by other governmental agencies, the payment of which, through the levy of a tax or an assessment, is on a parity with the Special Taxes. A copy of the Appraisal and the Summary Report are contained in "APPENDIX A - APPRAISAL."

Direct and Overlapping Debt and Value-to-Lien Ratios

Table 1 below shows the existing authorized indebtedness payable from taxes and assessments that may be levied within the District. Other public agencies, such as the County of Riverside, may issue additional indebtedness at any time, without the consent or approval of the School District. See "SPECIAL RISK FACTORS - Future Indebtedness."

Table 2 below shows the value-to-lien ratios in the District for developed and undeveloped parcels which were owned by the Developer and homeowners in the District as of July 2, 2004.

Table 1
Community Facilities District No. 7 (Victoria Grove)
Direct and Overlapping Debt Summary
and Value-to-Lien Ratio

Overlapping District	2003-04 Total Levy	Amount of Levy on Parcels in the District(2)	Percent of Levy on Parcels in the District	Total Debt Outstanding(1)	District Share of Total Debt Outstanding
Metropolitan Water District (MWD)	$100,114,039	$18,216	0.01820%	$447,475,000	$81,418
Riverside Unified School District G.O. Bonds	$4,927,954	$127,134	2.57985%	$57,000,000	$1,470,512
				Total Overlapping Debt	**$1,551,930**
				Plus: 2000 Series A Bonds of the District	**10,555,000**
				Plus: 2002 Series A Bonds of the District	**8,040,000**
				Plus: the Bonds	**1,955,000**
				Estimated Direct and Overlapping Debt	**$22,101,930**
				Total Appraised Value (3)	**$336,651,056**
				Value-to-Lien Ratio	**15.23**

(1) Outstanding debt as of September 2, 2004.
(2) Based on estimated fiscal year 2004-05 tax levy.
(3) Total Appraised Value from the Appraisal dated July 2, 2004.
Source: David Taussig & Associates, Inc.

Table 2
Community Facilities District No. 7 (Victoria Grove)
Value-to-Lien Ratios by Owner and Development Status

Property Owner(1)	Actual FY 2004-05 Levy(2)	Share of the Bonds(3)	MWD FY 2004-05 Levy	MWD Outstanding Bonds	RUSD FY 2003-04 Levy	RUSD Outstanding G.O. Bonds	Total Lien	Appraised Value(4)	Estimated Value to Lien Ratio
Developed Property									
Individual Owners	$1,551,841	$20,468,265	$18,071	$80,769	$126,120	$1,458,787	$22,007,821	$325,161,056	14.77
Hearthside Homes Inc.	$6,197	$81,735	$68	$303	$473	$5,470	$87,507	$1,420,000	16.23
Subtotal	$1,558,038	$20,550,000	$18,138	$81,072	$126,593	$1,464,256	$22,095,328	$326,581,056	14.78
Undeveloped Property									
Hearthside Homes, Inc.	$0	$0	$78	$346	$541	$6,255	$6,602	$10,070,000	1,525.33
Overall Total	$1,558,038	$20,550,000	$18,216	$81,418	$127,134	$1,470,512	$22,101,930	$336,651,056	15.23

(1) Ownership information based on the Appraisal. For purposes of classification, property is considered developed if a building permit was issued as of July 1, 2004 date of value for the Appraisal.

(2) Actual fiscal year 2004-05 levy based upon development status of March 1, 2004 (Developed Property only).

(3) Share of the Bonds based upon actual fiscal year 2004-05 levy.

(4) Value for individual owners, the Developer and total value based on the Appraisal. Breakdown of value between undeveloped and developed property provided by the Appraisal.

Source: David Taussig & Associates, Inc.

The School District has not undertaken to commission annual appraisals of the market value of property in the District for purposes of its Annual Reports pursuant to the Continuing Disclosure Agreement, and information regarding property values for purposes of a direct and overlapping debt analysis which may be contained in such reports will be based on assessed values as determined by the County Assessor. See Appendix E hereto for the form of the Continuing Disclosure Agreement.

Other Financing Districts

The School District has no control over the amount of additional debt payable from taxes or assessments levied on all or a portion of the property within the District which may be incurred in the future by other governmental agencies, including but not limited to the City of Riverside or any other governmental agency having jurisdiction over all or a portion of the property within the District. Furthermore, nothing prevents the owners of property within the District from consenting to the issuance of additional debt by other governmental agencies which would be secured by taxes or assessments on a parity with the Special Taxes. To the extent such indebtedness is payable from assessments, other special taxes levied pursuant to the Act or taxes, such assessments, special taxes and taxes will be secured by liens on the property within the District on a parity with a lien of the Special Taxes.

Accordingly, the debt on the property within the District could increase, without any corresponding increase in the value of the property, and thereby severely reduce the ratio that exists at the time the Bonds are issued between the value of the property and the debt secured by the Special Taxes and other taxes and assessments which may be levied on the property. The incurring of such additional indebtedness could also affect the ability and willingness of the property owners within the District to pay the Special Taxes when due. See "SPECIAL RISK FACTORS – Future Indebtedness."

Moreover, in the event of a delinquency in the payment of Special Taxes, no assurance can be given that the proceeds of any foreclosure sale of property with delinquent Special Taxes would be sufficient to pay the delinquent Special Taxes. See "SPECIAL RISK FACTORS – The Appraisal and Value-to-Lien Ratios."

Coverage

Table 3 below shows the estimated net Special Taxes to be levied on existing developed property within the District, the debt service on outstanding bonds, debt service on the Bonds and debt service coverage ratios.

Table 3
Community Facilities District No. 7 (Victoria Grove)
Projected Maximum Special Taxes – Developed Property
Coverage Ratios

Bond Year Ending September 1	Assigned Special Taxes Less Admin. Expenses		Series 2000 A Senior Debt Service[1]	Series 2002 A Subordinate Debt Service[2]	Series 2004 A Subordinate Debt Service[3]	Total Debt Service	Coverage Ratio Senior Debt Service Only	Coverage Ratio Total Debt Service	
2005	$1,495,411	[4]	$817,650	$555,640	$73,482	$1,446,772	182.89%	103.36%	[6]
2006	$1,905,120	[5]	$832,050	$567,120	$133,340	$1,532,510	228.97%	124.31%	
2007	$1,943,222		$850,210	$577,845	$132,430	$1,560,485	228.56%	124.53%	
2008	$1,982,087		$866,800	$587,730	$131,415	$1,585,945	228.67%	124.98%	
2009	$2,021,729		$886,770	$596,730	$135,330	$1,618,830	227.99%	124.89%	
2010	$2,062,163		$904,770	$609,730	$133,970	$1,648,470	227.92%	125.10%	
2011	$2,103,406		$900,740	$646,730	$132,490	$1,679,960	233.52%	125.21%	
2012	$2,103,406		$900,860	$645,968	$135,930	$1,682,758	233.49%	125.00%	
2013	$2,103,406		$899,795	$649,358	$134,130	$1,683,283	233.77%	124.96%	
2014	$2,103,406		$902,515	$646,708	$132,285	$1,681,508	233.06%	125.09%	
2015	$2,103,406		$903,665	$634,508	$135,373	$1,673,546	232.76%	125.69%	
2016	$2,103,406		$903,205	$644,133	$133,223	$1,680,561	232.88%	125.16%	
2017	$2,103,406		$901,095	$643,630	$130,973	$1,675,698	233.43%	125.52%	
2018	$2,103,406		$901,945	$647,390	$133,660	$1,682,995	233.21%	124.98%	
2019	$2,103,406		$901,070	$644,390	$131,048	$1,676,508	233.43%	125.46%	
2020	$2,103,406		$903,140	$645,490	$133,298	$1,681,928	232.90%	125.06%	
2021	$2,103,406		$903,800	$640,390	$135,238	$1,679,428	232.73%	125.25%	
2022	$2,103,406		$901,600	$644,390	$131,695	$1,677,685	233.30%	125.38%	
2023	$2,103,406		$902,300	$646,140	$133,153	$1,681,593	233.12%	125.08%	
2024	$2,103,406		$900,550	$646,340	$134,338	$1,681,228	233.57%	125.11%	
2025	$2,103,406		$901,350	$644,990	$135,250	$1,681,590	233.36%	125.08%	
2026	$2,103,406		$904,350	$642,090	$135,890	$1,682,330	232.59%	125.03%	
2027	$2,103,406		$904,200	$642,640	$131,258	$1,678,098	232.63%	125.34%	
2028	$2,103,406		$900,900	$646,330	$131,625	$1,678,855	233.48%	125.29%	
2029	$2,103,406		$904,450	$642,850	$131,630	$1,678,930	232.56%	125.28%	
2030	$2,103,406		$904,150	$642,510	$131,358	$1,678,018	232.64%	125.35%	
2031	$2,103,406		$0	$0	$130,808	$130,808	0.00%	1608.02%	
2032	$2,103,406		$0	$0	$134,980	$134,980	0.00%	1558.31%	
2033	$2,103,406		$0	$0	$133,598	$133,598	0.00%	1574.44%	
2034	$2,103,406		$0	$0	$131,938	$131,938	0.00%	1594.24%	
	$61,891,486		$23,203,930	$16,381,770	$3,935,129	$43,520,829	NA	NA	

[1] The 2000 Bonds.
[2] The 2002 Bonds.
[3] Based on actual debt service for the Bonds provided by UBS Financial Services.
[4] Assigned Special Taxes for fiscal year 2004-05 equal the actual levy of $1,558,038.14 less $62,627.35 in Administrative Expenses.
[5] Assigned Special Tax Revenues for fiscal year 2005-06 and beyond are based upon currently developed property of 1,009 lots with no future development. As of September 1, 2004 only 12 lots are undeveloped. The special taxes escalate by 2% per fiscal year through fiscal year 2010-11. Administration Expenses equal $42,500 for fiscal year 2005-06 and escalate 2% per fiscal year through fiscal year 2010-11.
[6] Includes capitalized interest through September 1, 2005.

THE DISTRICT

Location

The District consists of approximately 410 gross acres of partially developed and undeveloped land which are located southwesterly of the City of Riverside. The City of Riverside is located approximately 60 miles east of downtown Los Angeles.

Summary of Formation Proceedings

Pursuant to the Act, on August 16, 1999, the Board of Education adopted Resolution No. 98/99-06 declaring its intention to establish the District and Resolution No. 98/99-07 declaring its intention that the District incur a bonded indebtedness in an aggregate principal amount not to exceed $25,000,000.

At the conclusion of the public hearings on September 20, 1999, the Board of Education adopted Resolution No. 99/00-15 establishing the District and its boundaries and approving the Rate and Method of Apportionment of Special Tax for the District. The Board of Education also adopted Resolution No. 99/00-16 determining the necessity of the District incurring a bonded indebtedness in an aggregate principal amount not to exceed $25,000,000.

At a special election held on September 28, 1999, the owners of the property within the boundaries of the District authorized the District to incur a bonded indebtedness in an amount not to exceed $25,000,000 and approved the Rate and Method of Apportionment of Special Tax to pay the principal of and interest on the Bonds of the District. On November 24, 1999 a Notice of Special Tax Lien was recorded in the office of the County Recorder of the County.

First Annexation. On July 16, 2001 the Board of Education adopted a resolution of intention to annex approximately 160 acres of property to the District. On August 20, 2001, the Board of Education conducted a public hearing on the annexation of such property to the District and the levy of special taxes thereon to pay debt service on the outstanding bonds of the District. On that date following the public hearing, the Board of Education adopted a resolution calling a special election within the territory to be annexed to the District on the question of the levy of special taxes on such property to pay debt service on the outstanding bonds of the District for August 28, 2001.

At that special election, the owners of the property to be annexed to the District, who were the qualified electors with respect to that property, approved the levy of special taxes pursuant to the Rate and Method of Apportionment of Special Tax to pay principal of and interest on the outstanding bonds of the District. On September 17, 2001, the Board of Education adopted a resolution determining the results of the special election and determining that the property was annexed to the District. An amended Notice of Special Tax Lien was recorded in the official records of the County on December 11, 2001.

Second Annexation. On June 16, 2003 the Board of Education adopted a resolution of intention to annex approximately 19.68 acres of property to the District. On August 18, 2003, the Board of Education conducted a public hearing on the annexation of such property to the District and the levy of special taxes thereon to pay debt service on the outstanding bonds of the District. On that date following the public hearing, the Board of Education adopted a resolution calling a special election within the territory to be annexed to the District on the question of the levy of special taxes on such property to pay debt service on the outstanding bonds of the District for August 26, 2003.

At that special election, the owners of the property to be annexed to the District, who were the qualified electors with respect to that property, approved the levy of special taxes pursuant to the Rate and Method of Apportionment of Special Tax to pay principal of and interest on the outstanding bonds of the District. On September 15, 2003, the Board of Education adopted a resolution determining the results of the special election and determining that the property was annexed to the District. An amended Notice of Special Tax Lien was recorded in the official records of the County on October 22, 2003.

Third Annexation. The School District has entered into a School Facilities Mitigation Agreement with La Sierra 97, LLC, the owner and developer of the property which constitutes the final phase of the Victoria Grove project (the "Mitigation Agreement") which provides for the annexation of that property to the District. That property, which consists of approximately 110 acres, will be developed into 97 single family homes. The Mitigation Agreement provides for the issuance of bonds of the District to finance school facilities which are needed to mitigate the impact of the construction and occupancy of the proposed 97 homes on the School District's school facilities and also to finance certain water and sewer system facilities for Western Municipal Water District of Riverside County.

On November 1, 2004, the School District adopted Resolution No. 2004/05-37 declaring its intent to annex this property to the District and providing that the hearing on the proposed annexation will be held on December 13, 2004. The District anticipates that the annexation proceedings will be completed by the end of 2004. No schedule has currently been developed for the issuance of bonds. See "THE BONDS – Issuance of Parity Bonds" for the conditions which must be satisfied before additional bonds could be issued which would be secured by a pledge of and lien upon the Special Tax Revenues which would be equal to and at parity with the pledge of and lien upon such revenues which secures payment of the Bonds.

Rate and Method of Apportionment of Special Tax

Pursuant to the Rate and Method of Apportionment of Special Tax, the Board of Education will levy the Special Taxes on parcels of taxable property within the District to pay the principal of, and interest on, the Outstanding Bonds as follows:

> Step 1: The Special Tax will be levied proportionately on all parcels of Developed Property in the District at up to 100% of the Assigned Special Tax.
>
> Step 2: If the revenues which would have been produced by levying the Special Tax pursuant to Step 1 are less than the Special Tax Requirement, the Special Tax will be levied proportionately on parcels of Undeveloped Property in the District up to 100% of the Maximum Special Tax for Undeveloped Property.
>
> Step 3: If the revenues which would have been produced by levying the Special Taxes pursuant to Steps 1 and 2 are less than the Special Tax Requirement, the Special Tax to be levied on each parcel of Developed Property whose Maximum Special Tax is derived by application of the Backup Special Tax will be increased proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such parcel.
>
> Step 4: If the revenues which would have been produced by levying the Special Taxes pursuant to Steps 1, 2 and 3 are less than the Special Tax Requirement, the Special Tax will be levied proportionately on each parcel of Taxable Property Owner Association Property and Taxable Public Property up to the Maximum Special Tax for such property.

The Assigned Special Tax for each Land Use Category for fiscal year 1999-00 is shown in the table below.

ASSIGNED SPECIAL TAXES FOR DEVELOPED PROPERTY
(FISCAL YEAR 1999-2000)

Land Use Category	Description	Residential Floor Space	Assigned Special Tax
1	Residential Property	More than 3,999 sq. ft.	$2,390 per Dwelling Unit
2	Residential Property	3,700 - 3,999 sq. ft.	$2,204 per Dwelling Unit
3	Residential Property	3,600 – 3,699 sq. ft.	$2,100 per Dwelling Unit
4	Residential Property	3,200 – 3,599 sq. ft.	$1,938 per Dwelling Unit
5	Residential Property	2,900 – 3,199 sq. ft.	$1,744 per Dwelling Unit
6	Residential Property	2,700 – 2,899 sq. ft.	$1,534 per Dwelling Unit
7	Residential Property	2,400 – 2,699 sq. ft.	$1,389 per Dwelling Unit
8	Residential Property	2,200– 2,399 sq. ft.	$1,276 per Dwelling Unit
9	Residential Property	2,000 – 2,199 sq. ft.	$1,211 per Dwelling Unit
10	Residential Property	Less than 2,000 sq. ft.	$1,131 per Dwelling Unit
11	Non-Residential Property	Not Applicable	$7,653 per Parcel Acre

The Backup Special Tax for fiscal year 1999-00 is $0.1758 per square foot of a parcel. The Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property is $7,653 per acre for fiscal year 1999-00. On each July 1, commencing July 1, 2000 through July 1, 2010, the Assigned Special Taxes, the Backup Special Tax and the Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property and Taxable Public Property will be increased by 2% of the amount in effect for the previous fiscal year.

The Rate and Method of Apportionment of Special Tax allows for the full or partial prepayment of the special tax obligation of parcels of Developed Property or Undeveloped Property for which a building permit has been issued. Proceeds of any such prepayment will be used to optionally redeem outstanding Bonds. See "THE BONDS - Optional Redemption."

The above discussion is only a summary of some of the operational sections of the Rate and Method of Apportionment of Special Tax. Investors should rely on this summary only as an aide to a careful review of the Rate and Method of Apportionment of Special Tax which is contained in Appendix C hereto.

No assurance can be given that the Developer of property within the District or homeowners will be able and willing to pay the Special Taxes which will be levied on properties within the District. The ability and willingness of such Developer to pay such Special Taxes will be lessened if they are unable to construct and sell residences as currently planned. A delay in the construction and sale of residences within the District would have a significant adverse effect on the ability and willingness of the Developer to pay the Special Taxes levied on their property.

THE DEVELOPMENT PROJECT

The information provided in this section has been included because it may be considered relevant to an informed evaluation and analysis of the Bonds and the District. No assurance can be given, however, that the proposed development of the property within the District will occur as described below. The Bonds and the Special Taxes are not personal obligations of any landowners or of any land developer. The Bonds are secured solely by the Special Taxes and amounts on deposit in certain of the funds and accounts maintained by the Fiscal Agent under the Fiscal Agent Agreement. See "SECURITY FOR THE BONDS" and "SPECIAL RISK FACTORS."

The information contained in this section was obtained from Victoria Grove, LLC, and Hearthside Homes, Inc. which are building homes in the District.

General

The approximately 410 acres of property located in the District are part of Victoria Grove, a planned community located southwest of the City of Riverside in the unincorporated portion of the County of Riverside. The property is generally located north of El Sobrante Road and between La Sierra Avenue and McCallister Street. The property has been approved for the development of 1,021 single family lots ranging in size from 7,200 square feet to one-half acre. As of July 1, 2004, (the date of the Appraisal) 965 single family homes had been completed and sold to individual property owners.

Development of the Victoria Grove project was authorized by the Board of Supervisors of the County by approval of Specific Plan No. 270 in December, 1992 and Specific Plan No. 270 Amendment No. 1 on December 14, 1999. Specific Plan No. 270, as amended by Amendment No. 1, provides for the subdivision of approximately 435 acres of land into 124 half acre lots, 287 one-quarter acre lots and 733 7,200 to 9,300 square foot lots. Specific Plan No. 270 also provides for a nine acre park, two acres of passive open space/private recreation area, 26.7 acres of open space/riparian area, a 23.6 acre open space paseo on the right of way of the Metropolitan Water District of Southern California ("MWD") which transects the project site, a 12 acre elementary school site and 3.4 acres of public roads.

Hearthside Homes, Inc. is currently developing a project known as Jasper Ranch within Victoria Grove. Jasper Ranch, when complete, will consist of 67 single-family homes. As of November 1, 2004, 11 homes had been built and sold to individual homeowners, 3 model homes had been constructed, 41 homes were under construction and the remaining 12 home sites had been graded.

Hearthside Homes, Inc./Jasper Ranch

Hearthside Homes is a residential land development and homebuilding company with properties located primarily in southern California. Hearthside Homes is a wholly-owned subsidiary of California Coastal Communities, Inc., a publicly traded company with its stock listed on the NASDAQ Exchange under the symbol "CALC". The executive offices of both Hearthside Homes and California Coastal Communities, Inc. are located in Irvine, California. During 2002 and 2003, homebuilding revenues reported by California Coastal Communities, Inc. and generated by Hearthside Homes were $32.8 million and $54.7 million, respectively and homebuilding gross margins were $4.5 million and $9.3 million, respectively.

Hearthside Homes currently has on-going southern California homebuilding projects in Riverside County near the cities of Corona and Riverside, in San Bernardino County in the City of Chino, in Los Angeles County in the City of Lancaster, and in San Diego County in the area of Rancho Santa Fe. Hearthside Homes has delivered over 1,600 homes to families throughout southern California over the last nine years.

Hearthside Homes recently completed a 60-home project known as "Harvest" within the Victoria Grove community and is currently developing a 67-home project known as "Jasper Ranch" within the District. The Jasper Ranch project consists of three single family home designs ranging in size from 3,428 to 4,326 square feet and in price $400,000 to $600,000. As of November 1, 2004, 11 of these homes had been constructed and sold to individual home owners, 3 model homes had been completed, 41 homes were under construction and 12 remaining lots are graded. Hearthside Homes reported that as of November 1, 2004, 36 of the 41 released homes had been sold (deposits taken and /or escrow opened). Hearthside anticipates closing on the majority of these 41 homes by December of 2004, to begin construction on the 12 graded lots by January 2005 and to complete all homes and finalize all sales in the project by June 2005.

The following shows Hearthside Homes' pro forma cash flow summary and projected homes sales for homes within the District:

PROFORMA - Summary of Cash Flows
(Dollars in Thousands $000)

Revenues	2002	2003	2004	2005	2006	Total
Sale of Houses						
Gross Cash Flow		$ 2,339.0	$ 26,941.1	$ 10,649.9	$ -	$39,930.0
Less: Selling and Other Costs, Pd at COE		$	$ 107.1	$ 39.8	$ -	$ 147.9
Net Cash Flow from Sale of Houses	$ -	$ 2,338.0	$ 26,834.0	$ 10,610.1	$ -	$39,782.2
Expenses						
Land	$1,212.4	$ 107.8	$ 3,705.8	$ -	$ -	$ 5,026.0
Engineering, Fees and Offsite Costs	$ 156.9	$ 903.7	$ 2,827.2	$ 319.6	$ -	$ 4,207.4
Direct and Indirect Construction Costs	$ 4.7	$ 1,984.7	$ 8,249.1	$ 2,258.3	$ -	$12,496.8
Marketing, Finance, Other Costs	$ 615.3	$ 1,327.9	$ 2,150.4	$ 3,497.9	$ -	$ 7,591.5
Total Expenses	$ 1,989.4	$ 4,324.1	$ 16,932.4	$ 6,075.8	$ -	$29,321.7
Sources of Funds						
Bond Funds	$ -	$ -	$ -	$ -	$ -	$ -
Seller Financing	$ -	$ -	$ -	$ -	$ -	$ -
Bank Loan	$ 587.7	$ 73.4	$16,019.8	$ 3,511.1	$ -	$20,192.0
Equity	$ 1,401.6	$ 4,250.7	$ 912.7	$ 2,564.7	$ -	$9,129.7
Total Sources of Funds	$ 1,989.4	$ 4,324.1	$ 16,932.4	$ 6,075.8	$ -	$29,321.7

SPECIAL RISK FACTORS

The following is a discussion of certain special risk factors which should be considered, in addition to other matters set forth herein, in evaluating the investment quality of the Bonds. This discussion does not purport to be comprehensive or definitive. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of property owners in the District to pay their Special Taxes when due. Such failures to pay Special Taxes could result in the inability of the School District to make full and punctual payments of debt service on the Bonds. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the property in the District. See "The Appraisal and Value-to-Lien Ratios" and "Limited Secondary Market" below.

Subordinate Lien Bonds

The principal of and interest on the Bonds to be paid by the District under the Fiscal Agent Agreement is payable on a basis subordinate to the payment of principal of and interest on the 2000 Bonds. Accordingly, debt service on the 2000 Bonds must be satisfied and the reserve requirement for the reserve fund for the 2000 Bonds must be maintained in each Bond Year before any Special Taxes may be allocated under the Fiscal Agent Agreement for the payment of the Bonds.

Economic Uncertainty

The Bonds are being issued in a period of economic uncertainty. No assurance can be given that current economic uncertainty or future occurrences will not have an effect on the District, the development or property owners in the District. Among other possible effects, economic uncertainty could result in an increase in lending requirements which potential home buyers must satisfy to qualify for loans to purchase homes in the District. Also, uncertainty regarding job security and personal income may cause people to defer the purchase of homes and reduce the demand for new homes. Either of these possibilities could result in a slowdown in home sales and a decrease in land values in the District.

Insufficiency of Special Taxes

Under the Rate and Method of Apportionment of Special Tax, the annual amount of Special Tax to be levied on each taxable parcel in the District will generally be based on its development status as determined under the Rate and Method of Apportionment of Special Tax. See Appendix B and "THE DISTRICT - Rate and Method of Apportionment of Special Tax." To the extent undeveloped property does not become developed property, the collection of Special Taxes will be dependent on the willingness and ability of the owners of undeveloped property to pay such Special Taxes when due. See "Failure to Develop" and "The Appraisal and Value-to-Lien Ratio" below for a discussion of the risks associated with undeveloped property.

The Act provides that if any property in the District not otherwise exempt from the Special Taxes is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Taxes will continue to be levied on and enforceable against the public entity that acquired the property. The Act also provides that if property subject to the Special Taxes is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Taxes with respect to that property is to be treated as if it were a special assessment and paid from the eminent domain award. The constitutionality and operative effect of these provisions of the Act have not been tested in the courts. If for any reason property subject to the Special Taxes becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government or another public agency, subject to the limitation of the maximum authorized Special Taxes, the Special Taxes will be reallocated to the remaining parcels of taxable property in the District. This would result in the owners of the remaining properties in the District paying a greater amount of the Special Taxes and could have an adverse effect on the timely payment of the Special Taxes. Moreover, if a substantial portion of land in the District became exempt from the Special Taxes because of public ownership, or otherwise, the maximum Special Taxes which could be levied on the remaining land in the District might not be sufficient to make the payments required to pay principal of and interest on the outstanding Bonds and a default in the payment of such principal and interest could occur.

No assurance can be given that the Special Taxes levied on developed property in the District, determined in accordance with the Rate and Method of Apportionment of Special Tax, together with the Special Taxes which may be levied on undeveloped property in the District, will be sufficient to pay the annual debt service due on the Bonds. Further, if the owners of undeveloped property in the District are unable to develop any portion of that property the ability and willingness of the owners of such property to pay the Special Taxes when due could also be affected. See Appendix B and "THE DISTRICT - Rate and Method of Apportionment of Special Tax."

Failure to Develop

Land development operations are 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 and numerous other matters. It is possible that such approvals will not be obtained in a timely manner. Failure to obtain any such agency approval or satisfy any such governmental requirement could adversely affect land development operations. There is also a risk that future governmental restrictions, including, but not limited to, governmental policies restricting or controlling development in the District, will be enacted, and a risk that future land use initiatives approved by the voters in the City could add more restrictions and requirements on development in the District.

Moreover, there can be no assurance that the means and incentive to conduct land development operations in the District will not be adversely affected by a deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the sales rate for new homes could adversely affect land values and lessen the ability or willingness of the Developer and owners of land in the District to pay the Special Taxes levied on their land.

Undeveloped property is less valuable per acre than developed property, especially if there are no plans to develop such property or if there are severe restrictions on the development of such property. Undeveloped property also provides less security to the Bondowners should it be necessary for the School District to foreclose on undeveloped property due to the nonpayment of the Special Taxes. Therefore, an inability to develop the land in the District as currently proposed would expose the Bondowners to additional risk. Because of the current acreage of undeveloped property in the District, the timely payment of the Special Taxes will initially depend primarily upon the ability and willingness of the Developer to pay the Special Taxes which are levied on the undeveloped property. A slowdown in or cessation of the development of land in the District could impair the ability and willingness of the Developer to make Special Tax payments, and could greatly reduce the value of such property in the event it has to be foreclosed upon to collect delinquent Special Taxes.

The Appraisal and Value-to-Lien Ratios

The Appraiser has estimated, on the basis of certain definitions, assumptions and limiting conditions contained in the Appraisal, that as of July 1, 2004, the market value of the property in the District was $336,651,056. The Appraiser also has provided the District a Limited Appraisal Report – Summary Appraisal dated November 5, 2004, stating that the appraised value of the property in the District was not less than $336,651,056 as of November 5, 2004. The Value-to-Lien Ratios for the District are set forth in Tables 1 and 2. See "SECURITY FOR THE BONDS - Direct and Overlapping Debt and Value-to-Lien Ratios."

Copies of the Appraisal and the Summary Report are contained in "APPENDIX A - APPRAISAL."

Neither the School District nor the District makes any representation as to whether the appraised value of the land in the District or the value-to-lien ratios for such land will remain at the appraised value or the ratios discussed above. Moreover, purchasers of the Bonds should not assume that the property within the District could be sold at its appraised value at a foreclosure sale to collect delinquent Special Taxes.

Purchasers of the Bonds should also understand that property values may vary throughout the District. Consequently, the ratios discussed under "SECURITY FOR THE BONDS - Property Values" are not consistent among different parcels in the District. See "SECURITY FOR THE BONDS - Direct and Overlapping Debt and Value-to-Lien Ratios" and "- Other Financing Districts." These inconsistent property values are significant because the only remedy available to the School District for collection of delinquent Special Taxes is to initiate judicial foreclosure proceedings against the properties with delinquent Special Taxes.

The Appraisal Report should be reviewed for a complete description of the assumptions made by the Appraiser.

Parity Taxes and Special Assessments

Property within the District is subject to taxes and assessments imposed by public agencies other than the District that also have jurisdiction over the land within the District. See "SECURITY FOR THE BONDS – Direct and Overlapping Debt and Value-to-Lien Ratios" and " –Other Financing Districts".

The Special Taxes and any penalties and interest thereon will constitute a lien upon the lots and parcels of land in the District upon which the Special Taxes will annually be levied until they are paid. Such lien is on a parity with special taxes and special assessments levied by other agencies and is coequal to and independent of the lien for general property taxes regardless of when they are imposed upon the same property. The Special Taxes have priority over all existing and future private liens imposed on property in the District. The School District has no control, however, over the ability of other agencies and districts to incur indebtedness secured by special taxes or assessments payable from all or a portion of the property in the District. Any such special taxes or assessments will be secured by a lien on such property on a parity with the lien of the Special Taxes and any penalties and interest thereon. See "SECURITY FOR THE BONDS – Direct and Overlapping Debt and Value–to-Lien Ratios" and "–Other Financing Districts."

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 Bonds are derived, will be billed to the properties in the District on the regular property tax bills sent to owners of such properties. The Special Tax installments are due and payable on the same dates, and bear the same penalties and interest for non-payment, as general property tax installments. Special Tax installments cannot be paid separately from general property tax payments. Therefore, the unwillingness or inability of a property owner to pay general property tax bills, as evidenced by property tax delinquencies, may also indicate an unwillingness or inability to make general property tax payments and Special Tax installment payments in the future.

The School District has determined that as of September 21, 2004, 29 lots were delinquent in the payment of the ad valorem property taxes and special taxes which were levied on the property in the District for fiscal year 2002-2003 representing approximately a 2.36% delinquency rate in the District. See "SECURITY FOR THE BONDS – Reserve Fund" and " –Covenant for Superior Court Foreclosure", for a discussion of the obligations of the School District in the event of delinquency in the payment of Special Tax installments.

Land Development Costs

Development of land in the District is contingent upon construction or acquisition of major public improvements which will provide services to individual subdivisions, as well as local in-tract improvements within each subdivision. The Developer, or subsequent property owners and developers, will need to secure financing to provide for the total cost of constructing all public improvements that will not be constructed with the proceeds of the sale of the Bonds. The construction of some of these improvements may require action on the part of other agencies over which the School District has no control. There can be no assurance that these improvements will ever be constructed or will be constructed in a timely manner to permit the completion of the development currently proposed for the District.

In addition to the major public improvements which will provide services to individual subdivisions, significant local in-tract improvements will also be required in order to prepare finished lots which are ready for the construction of homes. These in-tract improvements include streets, water and sewer lines, storm drains, utilities and landscaping. The financing of these in-tract improvements must be obtained by the Developer. The financing of these in-tract improvements will increase the public and private debt for which the land in the District is security. This increased debt could impair the ability and willingness of the property owners to pay the annual Special Taxes levied on their property. See "SECURITY FOR THE BONDS – Property Values."

Future Indebtedness

The owners of land in the District may eventually wish to construct improvements in addition to those being financed with the proceeds of the Bonds. The Developer currently intends to annex an additional 117 acres to the District and the District anticipates issuing additional bonds secured by the Special Taxes with respect to the proposed annexation. See "THE DISTRICT – Summary of Formation Proceedings." The cost of those additional improvements may increase the public and private debt for which the land in the District is security over that contemplated at the time of the issuance of the Bonds, and such increased debt could impair the ability and willingness of the property owners to pay the Special Taxes levied on property in the District. Further, in the event any additional improvements or fees are financed through the establishment of an assessment district or another community facilities district, any taxes or assessments levied to finance such improvements will be secured by a lien on a parity with the lien of the Special Taxes. See "SECURITY FOR THE BONDS – Direct and Overlapping Debt and Value-to-Lien Ratios" and "– Other Financing Districts."

Disclosures to Future Purchasers of Land

The School District has recorded a notice of the lien of the Special Taxes for the District in the Office of the County Recorder of the County. Title insurance companies normally refer to such notices in title insurance reports. However, there can be no guarantee that such reference will be made or, if made, that a prospective purchaser of property in the District or a lender will consider such Special Tax obligation in the purchase of such property or the lending of money. Failure to disclose the existence of the Special Taxes or the full amount of the debt on the property in the District may affect the ability and willingness of future owners of land in the District to pay the Special Taxes when due.

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 and ability of the purchaser or lessor to pay the Special Tax when due.

Payment of Special Taxes

The levy of special taxes can result in a significantly greater property tax burden being imposed upon properties within a community facilities district than in other areas of a city or county, and this added burden can result in problems in the collection of the special taxes. In some community facilities districts, the property owners have refused to pay the special taxes and have commenced litigation challenging the special taxes, the establishment of the community facilities district and the bonds issued by the district.

The Special Taxes, from which funds necessary for the payment of principal of, and interest on, the Bonds are derived, will be billed to the properties in the District on the regular property tax bills sent to owners of such properties. Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. 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 Special Tax installment payments in the future. See "Tax Delinquencies" above.

An owner of a taxable parcel is not personally obligated to pay the Special Taxes which are levied on his or her parcel. Rather, the Special Taxes are an obligation which is secured only by a lien upon the taxable parcel. If the value of a taxable parcel is not sufficient, taking into account other liens imposed by public agencies, to fully secure the Special Taxes, the School District has no recourse against the owner.

See "SECURITY FOR THE BONDS - Reserve Fund" and "- Covenant for Superior Court Foreclosure," for a discussion of the obligations of the School District in the event of delinquency in the payment of Special Tax installments.

The ability of the School District to increase the amount of Special Taxes which may be levied and to pay costs of foreclosure proceedings may be limited by voter initiative. See "Constitutional Amendment" and "Limitations on Remedies" below.

Bankruptcy

The payment of property owners' taxes and the ability of the School District to foreclose the lien of delinquent unpaid Special Taxes pursuant to the foreclosure covenant, 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 "Limitations on Remedies" below and "SECURITY FOR THE BONDS -Covenant for Superior Court Foreclosure." The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified, as to the enforceability of the various legal documents, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien. The amount of the delinquent Special Taxes in excess of the reduced lien would then be treated as an unsecured claim by the court. Further, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such a delay would increase the likelihood of a delay or default in payment of the principal of, and interest on, the Bonds and the possibility of delinquent tax installments not being paid in full. The prosecution of foreclosure proceedings could also be delayed for other reasons, including crowded court calendars and procedural delaying tactics. See "Limitations on Remedies" below.

In a bankruptcy case entitled *In re Glasply Marine Industries, Inc.* (971 F.2d 391), the United States Court of Appeals for the Ninth Circuit 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 Chapter 11 relief under the Bankruptcy Code 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 filing of 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 taxes which were imposed before the filing of the bankruptcy petition.

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. When the property is transferred out of the bankruptcy estate (through foreclosure or otherwise), it would 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 court decisions exist 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 for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Taxes, the amount of Special Taxes levied on parcels whose owners declare bankruptcy could be reduced.

Payments by FDIC

The ability of the School District to collect interest and penalties allowed by State law and to foreclose on property with delinquent Special Taxes may be limited if the Federal Deposit Insurance Corporation (the "FDIC") has or obtains an interest in the property. The FDIC would obtain such an interest by taking over a financial institution which has made a loan which is secured by real property within the District.

The FDIC has issued a policy statement (the "Policy Statement") which provides that real property owned by the FDIC is subject to state and local property taxes only if those taxes are assessed according to the property's value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the affairs of the institution for which the FDIC is acting, unless abandonment of the FDIC's interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay or recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay the taxes. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC's consent. In addition the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without its consent.

The Policy Statement provides that the FDIC generally will not pay non-ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Community Facilities Act and any special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity.

The School District is unable to predict what effect the FDIC's application of the Policy Statement would have if there were a delinquency in Special Taxes levied on a parcel in the District in which the FDIC had an interest. However, it should be assumed that there would not be a buyer at a foreclosure sale if the FDIC's lien could not be foreclosed. It should also be assumed that the School District will be unable to foreclose on any parcel owned by the FDIC. In either event, there would be a draw on the Reserve Fund and, if the delinquency continued, there could be a default in payment of principal of and interest on the Bonds.

The FDIC does not have any interest in any of the property in the District, and it does not appear that any property in the District has been in FDIC receivership.

Endangered Species

During the past several years, there has been an increase in activity by the State and federal governments related to the listing and possible listing of certain plant and animal species found in California as endangered species. An increase in the number of endangered species is expected to curtail development in a number of areas. Additionally, new species are proposed to be added to the State and federal protected lists on a regular basis. Any action by the State or federal government to protect species located on or adjacent to the property in the District could have an adverse effect on the ability of the owners of undeveloped property to develop such property. Any such action could reduce the likelihood of timely payment of the Special Taxes which might be levied upon such undeveloped property and would likely reduce the value of such property and the potential purchase prices available at foreclosure sales for delinquent Special Tax installments. See "SECURITY FOR THE BONDS - Covenant for Superior Court Foreclosure."

There are no endangered or threatened species nor is there habitat for any such species within the District.

Geologic, Topographic and Natural Disaster Conditions

The market value of the land and improvements within the District could be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements of the land and the continued habitability and enjoyment of such improvements. These factors include geologic conditions (such as earthquakes), topographic conditions (such as land slides) and natural disasters (such as flood, drought and fire).

The occurrence of any of these conditions could result in damage to improvements of varying seriousness which may entail significant repair or replacement costs. Depending on the severity of the damage, repair or replacement may never occur either because of the magnitude of cost or because repair or replacement will not facilitate habitability or other use, or because other considerations may preclude such repair or replacement. Consequently, the occurrence of any of these conditions could result in a significant decrease in the market value of affected property or in such property becoming unmarketable.

The District is not located in an earthquake fault zone. However, like most areas in Southern California, residences in the District will be subject to the risk of damage from earthquakes. The nearest known active earthquake faults are the Chino and Elsinore Faults, which are approximately 10 miles to the southeast, the San Jacinto and San Gorgonio-Banning Faults, which are approximately 10 miles to the northeast and the San Andreas Fault which is approximately 18 miles to the north. The most significant fault with respect to anticipated ground motions in the District is the San Gorgonio-Banning Fault, due to its proximity and large possible earthquake magnitude.

The District is not located within a flood zone as determined by the United States FEMA flood map.

Hazardous Substances

One of the most serious risks which may affect the value of property is the discovery of a hazardous substance. Under federal and State law, an owner or operator of property is obligated to remedy a hazardous substance condition on the property regardless of whether he is responsible for the presence or handling of the hazardous substance. The discovery of a hazardous substance on any property in the District would result in a reduction of the value of the property by at least an amount equal to the cost of remedying the condition, because a prospective purchaser of the property would, upon becoming the owner of the property, become obligated, to the same extent as the seller, to remedy the condition.

The Appraiser's determination of the value of the property in the District does not take into account the possible liability of the owners for remedying any hazardous substance affecting the property. The School District has not conducted any investigation to determine whether any of the owners of (or operators on) any of the property in the District has a current liability for any hazardous substance. It is possible that current or potential liabilities exist which are unknown to the School District.

Further, it is possible that hazardous substance liabilities may arise as a result of a future reclassification of a substance, which may be present on property in the District, as a hazardous substance. Additionally, such liabilities could arise not only from the presence of a hazardous substance but from the method of handling a substance.

Constitutional Amendment

An initiative measure commonly referred to as the "Right to Vote on Taxes Act" (the "Initiative"), Proposition 218, was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIII C ("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."

Among other things, Section 3 of Article XIII C states that "... the initiative power will not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge." The School District believes, however, that Article XIII C confers on the voters no greater power as to the reduction or repeal of the Special Taxes than the power reserved to the legislative body of the District (i.e., the Board of Education).

The Act imposes on the Board of Education a statutory duty to levy that amount of Special Taxes which is required for the payment of the principal of and interest on the Bonds, including any necessary replenishment of bond reserve funds and any amount required by federal law to be rebated to the United States for the Bonds (the "Minimum Levy"). In addition, the Act prohibits the Board of Education from adopting any resolution to reduce the rates of the Special Taxes or terminate the levy of the Special Taxes pledged to repay the Bonds unless it determines that the reduction or termination of the Special Taxes would not interfere with the timely retirement of the Bonds. Accordingly, the School District believes that the Initiative has not conferred on the voters the power to repeal or reduce the Special Taxes below the amounts required for the Minimum Levy. However, the application of the Initiative will ultimately be determined by the courts. It is not possible to predict, with certainty, how the courts will interpret the initiative or the nature of any remedy that may be granted by the courts. See "Limitations on Remedies" below.

Further, no assurance can be given regarding the future levy of the Special Taxes in amounts greater than the level required for the Minimum Levy. Nevertheless, the School District has covenanted that, to the extent it is legally permitted to avoid doing so, it will not initiate and conduct proceedings to reduce the maximum Special Tax rates for the District. The maximum Special Tax rates may be reduced, however, upon the full or partial prepayment of the obligation of a parcel of property in the District to pay the Special Taxes as permitted by the Rate and Method of Apportionment of Special Tax. In connection with the foregoing covenants, the Board of Education has made a legislative finding and determination that any elimination or reduction of Special Taxes below the amounts required for the Minimum Levy would interfere with the timely retirement of the Bonds. The School District has further covenanted that in the event an ordinance is adopted which purports to reduce the maximum Special Tax rates, it will commence and pursue legal action in order to preserve its ability to comply with these covenants to levy Special Taxes. However, no assurance can be given as to the enforceability of such covenants.

Future Initiatives

The Initiative was submitted to and approved by the voters of the State pursuant to the State's constitutional initiative process. The Supreme Court of the State has held that an initiative can repeal a tax ordinance and prohibit the imposition of further such taxes and that the exemption of taxes from the referendum requirements does not apply to initiatives. From time to time, other initiative measures could be adopted by the voters of the State. The adoption of any such initiative might place limitations on the ability of the State, the School District and other local districts to increase revenues or increase appropriations or on the ability of the Developer to complete the remaining proposed development of the land in the District. See "Failure to Develop" above.

Loss of Tax Exemption

As discussed in "TAX MATTERS" below, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued, as a result of future acts or omissions of the School District in violation of its covenants in the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to a special redemption and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Fiscal Agent Agreement. See "Limitations on Remedies" below.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the School District has committed to provide certain statutorily required financial and operating information, there can be no assurance that such information will be available to Bondowners on a timely basis. The failure to provide the required financial information does not give rise to monetary damages but only an action for specific performance. Occasionally, because of general market conditions, lack of current information, or the absence of a credit rating for bonds, or because of adverse history or economic prospects associated with a particular bond issue, secondary marketing practices in connection with a bond issue are suspended or terminated. Also, prices of bond issues for which a market is being made will depend upon current circumstances, and could be substantially different from the original purchase price.

Limitations on Remedies

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

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Fiscal Agent Agreement 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. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Fiscal Agent Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation, or modification of Bondowner rights.

CONTINUING DISCLOSURE

The School District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information relating to the District by January 31 of each year commencing on January 31, 2005 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events, if deemed by the School District to be material. The Annual Reports will be filed by the Fiscal Agent, as Dissemination Agent, on behalf of the School District with each Nationally Recognized Municipal Securities Information Repository and with any State Repository which may be designated by the State of California. The notices of material events will be filed by the Fiscal Agent, as Dissemination Agent, on behalf of the School District with the Municipal Securities Rulemaking Board (the "MSRB") and any such State Repository which may be designated. The specific nature of the information to be contained in the Annual Reports or the notices of material events is set forth in APPENDIX E - CONTINUING DISCLOSURE AGREEMENT. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

Pursuant to the Continuing Disclosure Agreement, under circumstances and upon satisfaction of requirements specified therein, the School District may amend the Continuing Disclosure Agreement or the Continuing Disclosure Agreement may be amended with the approval of the Bondowners in the manner provided therein. The School District's obligations under the Continuing Disclosure Agreement will terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. The provisions of the Continuing Disclosure Agreement is intended to be for the benefit of the Bondowners and will be enforceable by the Bondowners. However, any enforcement action by any Bondowner will be limited to a right to obtain specific enforcement of the School District's obligations under the Continuing Disclosure Agreement and any failure by the School District to comply with the Continuing Disclosure Agreement will not be an event of default under the Fiscal Agent Agreement. See "APPENDIX E - CONTINUING DISCLOSURE AGREEMENT".

LEGAL OPINION

The legal opinion of Best Best & Krieger LLP, Riverside, California, approving the validity of the Bonds, in substantially the form set forth as Appendix D hereto, will be made available to purchasers at the time of original delivery of the Bonds.

Bond Counsel's engagement is limited to a review of the legal procedures required for the authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exemption of interest on the Bonds from federal and State income taxation.

TAX MATTERS

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum taxable liability of such corporations.

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

Should the interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Fiscal Agent Agreement.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a Bond and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes provided the School District continues to comply with certain requirements of the Code, the accrual or receipt of interest on the Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the Bonds.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds and a certificate of the School District to that effect will be furnished to the Underwriter at the time of the initial delivery of the Bonds. The School District is not aware of any litigation pending or threatened which questions the existence of the District or contests the authority of the School District to levy and collect Special Taxes in the District or which contests the authority to issue the Bonds.

RATING

The Bonds are not rated.

UNDERWRITING

The Bonds are being purchased through negotiation by UBS Financial Services Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $1,908,467.40 (after net original issue discount in the amount of $1,567.60 and the Underwriter's discount in the amount of $44,965.00). The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL INTERESTS

In connection with issuance of the Bonds, fees payable to certain professionals, including the Underwriter, Best Best & Krieger LLP, as Bond Counsel and Disclosure Counsel, U.S. Bank National Association, as Fiscal Agent, and W. J. Fawell Co., as Financial Advisor, are contingent upon the issuance of the Bonds.

PENDING LEGISLATION

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

MISCELLANEOUS

All of the preceding summaries of the Fiscal Agent Agreement, the Bonds, other applicable agreements and legislation, and other documents are made subject to the provisions of such legislation and documents 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 School District for further information in connection therewith. This Official Statement does not constitute a contract with the purchasers of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the School District has been duly authorized by the Board of Education.

RIVERSIDE UNIFIED SCHOOL DISTRICT FOR AND ON BEHALF OF COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE) THEREOF

/s/ Kirk R. Lewis, Ed.D.
Assistant Superintendent, Operations

APPENDIX A

LIMITED APPRAISAL REPORT – SUMMARY APPRAISAL
AND
APPRAISAL

PREPARED BY

BRUCE W. HULL & ASSOCIATES, INC.

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LIMITED APPRAISAL REPORT - SUMMARY APPRAISAL

COMMUNITY FACILITIES DISTRICT NO. 7
(2004 Series A)
VICTORIA GROVE
Riverside Unified School District

North Side of El Sobrante Road
Between La Sierra Avenue and McAllister Street
Unincorporated Riverside County, California
(Appraiser's File No. 2004-110.Limited)

Prepared For
Riverside Unified School District
3380 Fourteenth Street
Riverside, California

Prepared By
Bruce W. Hull & Associates, Inc.

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BRUCE W. HULL & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

November 5, 2004

Ms. Janet Dixon
Planning and Development
Riverside Unified School District
3070 Washington Street
Riverside, California 92504

Reference: Community Facilities District No. 7 (2004 Series A)
Riverside Unified School District (Victoria Grove)
N/S of El Sobrante Road between La Sierra and McAllister
Riverside County, California

Dear Ms. Dixon:

At your request and authorization we have prepared a limited appraisal of the property within the above referenced Community Facilities District No. 7 2004 Series A ("CFD No. 7"). CFD No. 7 encompasses 17 tract maps encompassing 1,022 single-family detached lots, consisting of approximately 410 acres. There have been two previous series of bonds sold.

This report is a Limited Summary Appraisal Report, which is defined as:

> "The act or process of estimating value or an estimate of value of value performed under and resulting from invoking the Departure Provision."

The Departure Provision of Uniform Standards of Professional Appraisal Practices states:

> "An appraiser may enter into an agreement to perform an assignment that calls for something less than, or different from, the work that would otherwise be required by the specific guidelines."

Advisory Opinion 15 ("AO-15") of the Uniform Standards of Profession Appraisal Practice indicated what conditions under which appraisal may depart from specific guidelines:

> "An appraiser may enter into an agreement to perform an assignment that calls for something less than, or different from, the work that would otherwise be required by the specific guidelines, provided that prior to entering into such an agreement:
>
> 1. the appraiser has determined that the appraisal or consulting process to be performed is not so limited that the resulting assignment would tend to mislead or confuse the client or the intended users of the report;
> 2.

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115 E. Second Street, Suite 100, Tustin, California 92780 - (714) 544-9978 - Facsimile (714) 544-9985

In the case of the subject, this limited appraisal report is intended to be used in conjunction with an appraisal on the subject property with a date of value of July 1, 2004 and a July 2, 2004 date of report. In lieu of updating the entire project the purpose was to provide a limited report with a not less than value. The scope of work and the departure provisions are listed in this report.

3. the appraiser has advised the client that the assignment calls for something less than, or different from, the work required by the specific guidelines and that the report will clearly identify and explain the departures; and

In the case of the subject we have advised the client via e-mail and phone conference calls that a limited report will be prepared. The City and their financial advisors have agreed that this course of action is prudent.

4. the client has agreed that the performance of a limited appraisal or consulting service would be appropriate."

The client and their financial advisors have agreed.

CLIENT

The client is the Riverside Unified School District.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to determine that the estimate of value for CFD No. 7 has not decreased since reporting the values in the July 2, 2004 appraisal report. This limited report should be used in conjunction with the July 2, 2004 report.

INTENDED USE OF THE REPORT

It is our understanding that this report, in conjunction with the July 2, 2004 appraisal report, will be utilized by the client, the Riverside Unified School District, in determining the feasibility of issuing bonds for CFD No. 7 (2004 Series A).

DEFINITIONS

Market Value

The term "market value" as used in this appraisal report is defined by Federal Register, Vol. 55, No. 165, Friday, August 4, 1990, rules and regulations, 12 C.F.R. part 34.42(f) as:

> *"The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
>
> 1) *buyer and seller are typically motivated;*
> 2) *both parties are well informed or sell advised, and acting in what they consider their own best interest;*
> 3) *a reasonable time is allowed for exposure in the open market;*
> 4) *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
> 5) *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Limited Appraisal Report

This will be a limited appraisal report. Uniform Standards of Appraisal Practice Standards Rule 2-2(a) states "When the Departure Provision is invoked, the assignment is deemed to be a Limited Appraisal. Use of the term Limited Appraisal makes it clear that the assignment involved something less than, or different from the work required by the specific guidelines (of USPAP). The report of a Limited Appraisal must contain a prominent section that clearly identifies the extent of the appraisal process performed and the departures taken."

PROPERTY RIGHTS APPRAISED

The property rights being appraised are the fee simple interests subject to the special tax created by CFD No. 7 all three series of bonds.

EFFECTIVE DATE OF VALUE

The subject property is valued as of November 1, 2004.

OWNER OF RECORD

Please refer to the July 2, 2004 appraisal report.

THREE YEAR SALES HISTORY

Please refer to the July 2, 2004 appraisal report as well as this report which details land sales and activity since July 1, 2004.

SCOPE OF APPRAISAL

In the case of the subject, following is the scope of the appraisal assignment (extent of appraisal process).

- Identifying additional home sales within the project known as Jasper Ranch that have occurred since our appraisal date of value (July 1, 2004).
- Reporting the sales activity for the remaining development that is being marketed in Victoria Grove.
- Reporting the change in sales prices for the project that have occurred since our appraisal date of value (July 1, 2004).
- Reporting of re-sales within the entire Victoria Grove community in order to determine market changes during the time period between July 1, 2004 and November 1, 2004.
- Reporting of the subject market conditions including changes between July 1, 2004 and November 1, 2004.
- Arrive at a Not Less Value Conclusion.

This report will include departures from the following Uniform Standards of Appraisal Practices.

- Standards Rule 1-3(a,b). This rule applies to highest and best use of the lands and consideration of land use regulations. We will reference the original appraisal report.

- Standards Rule 1-4 (a,b,c). This applies to collecting, analyzing, and reconciling market data. While we have completed a certain amount of this (see above scope), we will not be collecting all of the transactions that may have occurred within the subject and surrounding market area (a). While in this case we believe that we are performing the appropriate methods (see above scope), the cost and income approaches were not considered (b,c).

During the week of November 1, 2004 an interview of the sales agents for Hearthside Homes' Jasper Ranch project in obtaining information on the subject property occurred.. In addition, a review of re-sales of homes within the Victoria Grove neighborhood was conducted. This information included actual closings within Jasper Ranch as of November 1, 2004, current sales prices for Jasper Ranch and general information on the project. Between July 1, 2004 and November 1, 2004 the following changes in the subject property occurred.

1. Within the project of Jasper Ranch as of July 1, 2004 there were three completed model homes, 41 homes under construction, and twelve finished lots. They had released 37 homes and "sold" 35. As of November 1, 2004 within Jasper Ranch there are three completed model homes, 23 homes over 95 percent complete (all in escrow and due to close within the next two weeks), 18 homes approximately 75 percent complete (due to be complete by end of December), and twelve finished lots. Therefore, 23 additional homes have been completed (over 95 percent complete) and are expected to close escrow within the next two weeks, since the July 1, 2004 date of value.

2. As of July 1, 2004 the concluded base prices for the three plans within Jasper Ranch ranged from $514,200 to $568,400. The current base pricing for the three plans ranges from $578,290 to $643,290, suggesting a minimum increase of 12 percent during this four month time frame.

3. In comparing the asking base prices as of July 1, 2004 ($540,990 to $585,990) to the current asking base prices, all models have increased from 5.5 percent to 9.7 percent.

4. We have reviewed 2004 re-sales within the Victoria Grove project. The following are resales that have occurred since the Appraisal Report.

Address	Sales Price	Sales Date	Assessed Value	Prior S. Price
12341 Mimosa	$450,000	10/04	$247,990	$234,500
17863 Grandis Ct.	$490,000	10/04	$275,022	N/A
12495 Bougainvillea	$602,500	08/04	$324,303	$304,500

In the case of the July 2, 2004 report we reported the Assessed Value (Section III) for existing homes and reported that as minimal market value. In the case of the recent re-sales the sales prices ranged from78 to 90% above the Assessed Value.

In addition we have reviewed the current residential market for changes between July 2004 and November 1, 2004. Within the July 2, 2004 report we utilized The Meyers Group New Home Executive Summary for First Quarter 2004. According to The Meyers Group New Home Executive Summary for the Second Quarter 2004, the average price for a detached new home in Riverside County went up 17.5 percent from $358,077 to $421,075 between the end of the First Quarter 2004 and the end of the Second Quarter 2004. Within the subject's Northwest sub-market the average price for a new detached home went up 14.5 percent from $468,446 to $536,753 during the same time period. These increases, coupled with the sales price increases within projects in the subject area suggest the market is still increasing.

SUMMARY

This was a limited appraisal report to ascertain if the value that we concluded as of July 1, 2004 was still valid. While we have not concluded at a new value, it is evident that the home prices have increased, that additional construction of homes have been completed, that closings of newly completed homes has occurred and that the subject's residential market has increased. Based on our investigation, we have determined that the current market values are not less than the concluded values as of July 1, 2004.

Furthermore, this limited report is subject to the attached Assumptions and Limiting Conditions and the Appraiser's Certification.

Respectfully submitted,

BRUCE W. HULL & ASSOCIATES, INC.

Bruce W. Hull, MAI
State Certified General
R.E. Appraiser (#AG004964)

Kitty S. Siino, MAI
State Certified General
R.E. Appraiser (#AG004793)

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ASSUMPTIONS AND LIMITING CONDITIONS

1. This Summary Appraisal Report is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report. This Summary Appraisal Report is also intended to comply with the appraisal standards regulated by the California Debt and Investment Advisory Commission.

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

3. The property is appraised subject to the easements of record and the special tax lien of CFD No. 7, but is free and clear of any other liens or encumbrances.

4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

9. It is assumed that there is full compliance with all applicable zoning and use regulations and restrictions, unless non-conformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy, and other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

11. Any sketch contained in this report may show approximate dimensions and is included only to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described, and that no encroachment or trespass exists unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials, which may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover such conditions. The appraiser's descriptions and comments are the result of routine observations made during the appraisal process.

14. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal, and such allocations are invalid if so used.

16. If this report is placed in the hands of anyone but the client, the client shall make such party aware of all the assumptions and limiting conditions of the assignment.

17. Albeit the Americans with Disabilities Act ("ADA") became effective on January 26, 1992, the appraiser has made no specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. Nor is the appraiser a qualified expert regarding the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

18. All the improvements and benefits to the subject property, which are to be funded by the proceeds of the CFD No. 7 Special Tax Bonds, are assumed to be completed and in place.

19. There are no environmental concerns that would slow or thwart development of the subject property, and the soils are adequate to support the highest use conclusion.

20. This appraisal may not be conveyed to any person other than the client without the written consent of the appraisers. Permission is given for this appraisal to be published as a part of the Official Statement or similar document for the CFD No. 7 Special Tax Bonds.

APPRAISER'S CERTIFICATION

We certify, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.

4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

5. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of any specified amount.

6. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal practice.

7. We have made a personal inspection of the property that is the subject of this report.

8. No one provided significant professional assistance to the persons signing this report.

9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

11. As of the date of this report, Bruce W. Hull and Kitty S. Siino, have completed the requirements of the continuing education program of the Appraisal Institute.

Bruce W. Hull, MAI
State Certified General
R.E. Appraiser (AG004964)

Kitty S. Siino, MAI
State Certified General
R.E. Appraiser (AG004793)

ADDENDA

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APPRAISERS' QUALIFICATIONS

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QUALIFICATIONS OF BRUCE W. HULL, MAI

Business Locations: 1056 E. Meta Street, Suite 202
Ventura, California 93001
(805) 641-3275 * Facsimile (805) 641-3278
E-Mail Address - Bhull86686@aol.com
Direct Correspondence to Ventura Location

115 E. Second Street, Suite 100
Tustin, California 92780
(949) 581-2194 * Facsimile (949) 581-2198

Bruce W. Hull & Associates, Inc. is an appraisal firm that provides a wide variety of appraisal assignments for public agencies, developers and financial institutions.

The principal, Bruce W. Hull, MAI, has been in the appraisal field since graduation in 1969 from Westmont College, Santa Barbara. After being employed by the Ventura County Assessor's Office for five years, he established an appraisal company in Orange County in 1974. In August of 1995 he established an office in Ventura while maintaining an Orange County location. While most of the appraisal assignments are in Southern California, assignments have been completed in areas from San Francisco/Bay Area and Lake Tahoe to San Diego.

The appraisal assignments completed have been diverse in nature, including such property types as large masterplanned developments, shopping centers, large retail uses, and mitigation land. A brief summary of the more challenging assignments is given on the following pages.

MASTERPLANNED DEVELOPMENT

These are typically more than 1,000 acres in size and have a wide variety of residential product, often ranging from condominiums to large estate type of properties. In addition, there is often a commercial use within the development. I have been involved in the following projects.

Lake Sherwood, Hidden Valley
Wood Ranch, Simi Valley
Rancho San Clemente, San Clemente
Towne Center, Rancho Santa Margarita
Rancho Trabuco North and South, Rancho Santa Margarita
Hunters Ridge, Fontana
The Corona Ranch, Corona
Mountain Cove, Temescal

Mountain Gate, South Corona
The Foothill Ranch, Corona
Orangecrest, City of Riverside
Aliso Viejo, County of Orange
Talega Valley, City of San Clemente/County of Orange
Otay Ranch, City of Chula Vista

RETAIL USE

Consultant to City of Long Beach regarding a 30 acre site (Long Beach Naval Hospital) which the City was acquiring from the US Navy for inclusion in a 100 acre shopping center site.

Towne Center, Rancho Santa Margarita, is a masterplanned project which contains two shopping centers (Towne Center, 160,000 SF plus a Target Store, 122,000 SF; Plaza Antonio, 165,000 SF).

Mission Grove, City of Riverside, is a 395,362 SF center which included a K-Mart Department Store among the major tenants.

Victoria Gardens Masterplan was a proposed mixed use project consisting of 3,065 acres of land which included a mixture of residential (2,150 acres); commercial (335 acres of which 91.9 acres was a regional center site); schools; parks; and open space for the remainder of the lands.

Menifee Village, Riverside County, is a 1977 acre masterplanned development which had approvals for 5,256 units. The assignment included the valuation of Planning Area 2-7 which was a commercial site that had been developed with a Target Store, Ralph's Market, and in-line stores (190,000 SF with eventually being a 257,000 SF center).

MITIGATION LANDS

These assignments involved valuing lands that are considered mitigation lands which are often acquired by public agencies or nonprofit organizations.

Bolsa Chica, Huntington Beach, a 42-acre site which was part of a larger wetlands conservation program. This particular acreage was unique since it was subject to "tidal flushing" and had both fresh and saltwater impacting the lands. This assignment was completed for Metropolitan Water District.

San Joaquin Marsh, City of Irvine, consisted of approximately 289 acres of wetlands which were acquired for use as a "buffer" zone by the Irvine Ranch Water District.

Eagle Valley, a 1072-acre parcel near Lake Matthews in Riverside County, was acquired by Metropolitan Water District for use as a water treatment plant and buffer zone.

Poormans Reservoir, Moreno Valley, a 38-acre site acquired by the City of Moreno Valley for preservation/open space use.

ASSESSMENT DISTRICTS/BOND ISSUES

Have been involved in the appraisals of the following Bond Issues regarding Community Facilities Districts and/or Assessment Districts. (This represents a partial list of assignments completed from 1990 thru Present.)

CFD No. 9 (Orangecrest - Impr. Areas 1, 3 & 5); City of Riverside
CFD No. 2000-1 (Crosby Estate @ Rancho Santa Fe); Solana Beach
CFD No. 2001-01 (Murrieta Valley U.S.D.);Murrieta
CFD No. 90-1 (Lusk-Highlander); City of Riverside
Otay Ranch SPA I - CFD No. 99-2; City of Chula Vista
CFD No. 7 (Victoria Grove); County of Riverside
CFD No. 10 (Fairfield Ranch); City of Chino Hills
CFD No. 2000-1; Tejon Industrial Complex; Lebec
CFD No. 99-1; Santa Margarita Water District
CFD No. 97-3; City of Chula Vista
CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 89-1; City of Corona
Lake Sherwood A.D. Refunding; County of Ventura
CFD No. 9; City of Chino Hills
CFD NO. 88-12; City of Temecula
CFD No. 90-1 (Refunding); City of Corona
A.D. No. 97-1-R; City of Oxnard
A.D. No. 96-1; Valley Center Municipal Water District; San Diego County
A.D. No. 96-1; City of Oxnard
CFD No. 88-1 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-2 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-3 (Saddleback Valley Unified School Dist); Rancho Santa Margarita
Centex A.D. No. 95-1; City of Corona
Coyote Hills A.D. No. 95-1; City of Fullerton
Sycamore Creek A.D. No. 95-1; City of Orange
Prop. CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 91-1; City of Rancho Cucamonga
Prop. CFD No. 2; City of Chino
CFD No. 9; County of San Bernardino
A.D. No. 89-1; City of Corona
CFD No. 87-1 (Series B); City of Moreno Valley
CFD No. 90-1; City of Corona

CFD No. 89-1; (Saddleback Valley Unified School District); Orange County
A.D. No. 96-1; City of Oxnard
A.D. Nos. 86-3, 87-1 and 89-1 (Refunding); City of Oxnard
CFD No. 90-1; City of Corona
CFD No. 1 (Refunding); City of Jurupa
CFD No. 88-12; City of Temecula

PARTIAL LIST OF CLIENTS

Have completed appraisal assignments for a wide variety of clients. A partial list of these includes the following.

Anaheim City Unified School District
Bank of America NT & SA
Bank of Montreal
Bear, Stearns & Co., Inc.
Best Best & Krieger LLP (Law Firm)
Carpinteria Valley Unified School District
Chino Unified School District
Citicorp, N.A.
City of Brea
City of Chino
City of Chino Hills
City of Chula Vista
City of Colton
City of Corona
City of Fullerton
City of Huntington Beach
City of Jurupa
City of Mission Viejo
City of Moreno Valley
City of Orange
City of Oxnard
City of Rancho Cucamonga
City of Riverside
City of San Bernardino
City of San Marcos
City of Temecula
Coast Federal Bank
Colton Joint Unified School District
County of Los Angeles
County of Orange
County of Riverside
County of San Bernardino
County of Ventura

Downey Savings and Loan
Federal National Mortgage Association (FNMA)
Federal Deposit Insurance Corporation (FDIC)
Fieldman, Rolapp & Associates (Financial Consultants)
Irvine Ranch Water District
Irvine Unified School District
Jurupa Community Services District
Metrobank
Metropolitan Water District
Meserve, Mumper & Hughes (Law Firm)
Munger, Tolles & Olson LLP (Law Firm)
Murrieta Valley Unified School District
Rialto Unified School District
Riverside Unified School District
Saddleback Valley Unified School District
Santa Margarita Water District
Sidley & Austin (Law Firm)
Solana Beach Unified School District
Southern California Edison Company
Stone & Youngberg LLC (Bond Underwriters)
Talmantz Aviation
The Irvine Company
Wells Fargo Bank
Wells Fargo Mortgage Company
Weyerhaeuser Mortgage Company

COURT EXPERIENCE

Qualified Expert Witness in the following courts:

United States District Court/Central District of California, Los Angeles
Los Angeles County Superior Court
Orange County Superior Court
Riverside County Superior Court
Ventura County Superior Court

ORGANIZATIONS

Member - Appraisal Institute (No. 6894)

LICENSES

Certified General Real Estate Appraiser (AG004964)
State of California; Expires April 15, 2004
Licensed Real Estate Broker (00821209)
State of California; Expires August 15, 2004

GUEST SPEAKER (for)

UCLA Symposium on Mello Roos Districts - 1988

"Exploring the Rumors & Realities of Land Secured Debt in California" - Conference sponsored by Stone & Youngberg, LLC, bond underwriters, held in Los Angeles on January 15, 1992

"Appraisals for Land Secured Financing" presentation for Stone & Youngberg, LLC, bond underwriters, held at San Francisco Headquarters on March 5, 1998

UCLA Symposium on Mello-Roos Districts - 2001

MISCELLANEOUS

Member Advisory Panel to California Debt Advisory Commission regarding Appraisal Standards for Land Secured Financing (May 1994 and March 2003)

QUALIFICATIONS OF
KAREN S. SIINO, MAI

EDUCATION

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and passing the Comprehensive Exam for the Appraisal Institute. Became a Member of the Appraisal Institute in December, 1996.

EMPLOYMENT

1985 - Present
Associate Appraiser for various MAI's. Duties Include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. Specialty properties include easements, right-of-ways and special assessment districts. From 1985 to 1988 worked part-time; from 2/88 full-time.

1986 - 1988
Project Manager of Development for Ferguson Partners, Irvine, California. Duties included finding land; review of fee appraisals and valuations; analysis of proposed development; planning and design; management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986
Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with

cities in forming new Assessment Districts to finance major infrastructure improvements. Types of properties were apartments and single family residential lots on a for sale basis to apartment and home builders.

1980 - 1981

Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties and working with appraisals of properties and analyzing the investments.

LICENSES

Real Estate Sales Person, State of California, 1980
Certified General Appraiser, State of California (#AG004793)

ORGANIZATIONS

MAI #11145 - Appraisal Institute

SUMMARY APPRAISAL REPORT - COMPLETE APPRAISAL

COMMUNITY FACILITIES DISTRICT NO. 7
(2004 Series A)
VICTORIA GROVE
Riverside Unified School District

North Side of El Sobrante Road
Between La Sierra Avenue and McAllister Street
Unincorporated Riverside County, California
(Appraiser's File No. 2004-110)

Prepared For
Riverside Unified School District
3380 Fourteenth Street
Riverside, California

Prepared By
Bruce W. Hull & Associates, Inc.

1056 E. Meta Street, Suite 202
Ventura, California 93001
(805) 641-3275
(805) 641-3278 (Fax)

115 E. Second Street, Suite 100
Tustin, California 92780
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BRUCE W. HULL & ASSOCIATES, INC.

REAL ESTATE APPRAISERS & CONSULTANTS

July 2, 2004

Ms. Janet Dixon
Director of Planning and Development
Riverside Unified School District
3070 Washington Street
Riverside, California 92504

Reference: Community Facilities District No. 7
(2004 Series A)
Victoria Grove
Unincorporated Riverside County, California

Dear Ms. Dixon:

At your request and authorization we have prepared an appraisal of the property within Community Facilities District No. 7 of the Riverside Unified School District ("CFD No. 7"). CFD No. 7 encompasses 17 tract maps encompassing 1,021 single family detached lots, consisting of approximately 410 acres. All of the tracts have been sold to merchant builders, some of whom have built out their projects and have sold out to individual homeowners. The master developer for the project is Victoria Grove LLC. This appraisal is for the third series of special tax bonds known as CFD No. 7 (2004 Series A). The properties encompass CFD No. 7 (2000 Series A), CFD No. 7 (2002 Series A) and CFD No. 7 (2004 Series A).

We have presented the valuation portion of this appraisal report in three sections. Section I values the merchant builder/developer owned properties. This includes the active residential projects. The lands range from finished lots to completed homes. Section II involves the "gap properties", i.e. properties that have recently sold to a homeowner, but the market value is not yet reflected on the 2003/2004 Riverside County Assessor's Roll. Section III represents the assessed value for existing homes that have been fully constructed/improved per the 2003/2004 Riverside County Assessor's Roll.

We have valued the fee simple estate for the subject properties subject to the CFD No. 7 special tax (for Series A, 2002 Series A and 2004 Series A). This report is written under the special assumption that the property is enhanced by the improvements to be funded by the bonds issued by CFD No. 7 (all series). We have valued or reported the assessed value for each property as a stand-alone project. The following values are reported as of July 1, 2004.

SECTION I

This section refers to the merchant builder owned property. The current market value is estimated at **$11,490,000.**

1056 E. Meta Street, Suite 202, Ventura, California 93001 - (805) 641-3275 - Facsimile (805) 641-3278
115 E. Second Street, Suite 100, Tustin, California 92780 - (714) 544-9978 - Facsimile (714) 544-9985

SECTION II
This section addressed the individually owned properties that were recently purchased ("gap properties"). The following represents sales that have recorded to individual homeowners, but the current market value has not yet been reflected on the Riverside County Assessor's Roll for 2003/2004. The total value for the properties addressed in this section is stated as **$206,607,202.**

SECTION III
This section involves the reporting of the Assessed Value for home sales that have been completed and reported on the Riverside County Assessor's Roll for 2003/2004. The total Assessed Value for the properties addressed in this section is stated as **$118,553,854.**

AGGREGATE VALUE
The Aggregate Value for Section I, Section II and Section III is stated as **$336,651,056.**

The above estimates of value are stated subject to the Limiting Conditions and Appraiser's Certification as of July 1, 2004.

This report is defined as a Summary Appraisal Report - Complete Appraisal that is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice (USPAP) effective January 1, 2004 for a Summary Appraisal Report. The appraised values contained within this report are estimated subject to the special tax lien of CFD No. 7, Riverside Unified School District. The report is also intended to comply with the appraisal standard proposed by the California Debt Advisory Commission (May 1994). As a Summary Appraisal Report, this document presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraisers' file. The depth of discussion contained in this report is specific to the needs of the client. The appraisers are not responsible for unauthorized uses of this report.

Respectfully submitted,

BRUCE W. HULL & ASSOCIATES, INC.

Bruce W. Hull, MAI
State Certified General
Real Estate Appraiser (AG004964)

Kitty S. Siino, MAI
State Certified General
Real Estate Appraiser (AG004793)

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ADDENDA

Improved Residential Sales Summary Chart
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ASSUMPTIONS AND LIMITING CONDITIONS

1. This report is a Summary Appraisal Report that is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice for a Summary Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs to the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

2. No responsibility is assumed for legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.

3. The property is appraised subject to the proposed special tax for CFD No. 7 2000 Series A, CFD No. 7 2002 Series A and CFD No. 7 2004 Series A special tax bonds.

4. Responsible ownership and competent property management are assumed unless otherwise stated in this report.

5. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.

6. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.

7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.

8. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.

9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non conformity has been stated, defined, and considered in this appraisal report.

10. It is assumed that all required licenses, certificates of occupancy, and other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.

11. Any sketch included in this report may show approximate dimensions and is included only to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.

12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.

13. The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert relating to asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials that may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is not such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.

14. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.

15. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

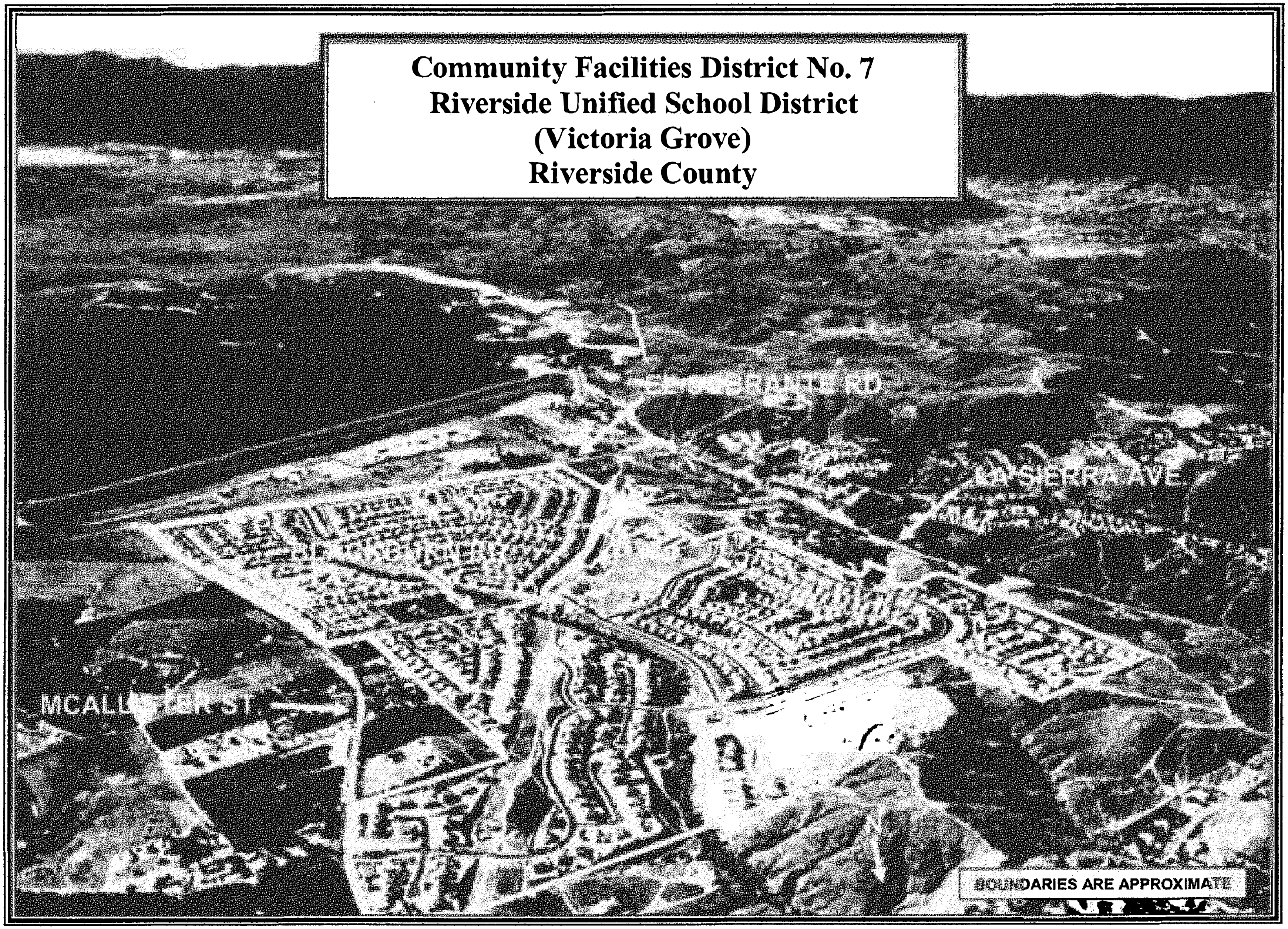
16. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event, only with property written qualification and only in its entirety (see "Intended Use" section within the body of the Appraisal Report).

17. The appraiser's consent to the inclusion of this appraisal in a Official Statement for the proposed bond issue. The appraiser or firm assumes no obligation, liability, or accountability to any third party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment (see "Intended Use" section within the body of the Appraisal Report).

18. Albiet the Americans with Disabilities Act ("ADA") became effective on January 26, 1992. The appraiser has made no specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. Nor is the appraiser a qualified expert as to the requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

19. That all of the improvements and benefits to the subject property which are to be funded by CFD No. 7 2000 Series A, CFD No. 7 2002 Series A and CFD No. 7 2004 Series A special tax bonds are completed and in place.

Community Facilities District No. 7
Riverside Unified School District
(Victoria Grove)
Riverside County



Bruce W. Hull & Associates, Inc. Aerial Photo – Air Views – 2/11/04

PURPOSE OF THE APPRAISAL

The purpose of this Summary Appraisal Report is to provide the appraiser's best estimate of market value of the fee simple estate for the subject property, subject to Riverside Unified School District Community Facilities District No. 7 ("CFD No. 7") lien, which consists of the property known as Victoria Grove, a planned community located in Riverside County, California. In the case at hand, the market value of the subject property is taking into consideration the proposed CFD No. 7 2004 Series A special tax bonds along with the previously issued CFD No. 7 2002 Series A and CFD No. 7 2000 Series A special tax bonds.

THE SUBJECT PROPERTY

The subject property consists of approximately 410 acres located on the north side of El Sobrante Road between La Sierra Avenue and McAllister Street. Victoria Grove consists of 1,022 single-family lots with minimum sizes ranging from 7,200 square feet to 15,000 square feet. The property is essentially built-out with the last 41 lots under development and a few finished lots in the last phases of construction.

The subject property was entitled and developed by Victoria Grove LLC, the master developer, who sold the property to merchant builders. The properties are detailed as follows.

			Builder Owned	Individual Owned	
TTM	**Owner/ Project Name**	**Total Lots**	**Section I**	**Section II**	**Section III**
Lots 1-136 of Tract 28872 and Lots 1-57 of Tract 28873	Shea Homes / RiverRun	193	-0-	43	150
Lots 1-86 of Tract 28874	John Laing Homes	86	-0-	5	81
Lots 1-91 of Tract 28875	Shea / Willowcreek	91	-0-	2	89
Lots 1-89 of Tract 28878	Regis Homes/The Regis Collection	89	-0-	45	44
Lots 1-24 of Tract 29282	Victoria Grove LLC / (Shea Homes)	24	-0-	2	22

Lots 3-45 of 28898 and Lots 1-49 of Tract 28899	Compass Homes / The Ridge	92	-0-	77	15
Lots 1-8 of Tract 28897; Lots 1-2 of Tract 28898 and Lots 1-12 of Tract 28917	Compass Homes / The Crest	22	-0-	12	10
Lots 1-114 of Tract 29386-1	Brehm Companies	114	-0-	114	-0-
Lots 1-16; 19-56 & 58-100 of Tract 29386-3	Standard Pacific	97	-0-	97	-0-
Lot 57 of Tract 29386-3[1]	Hearthside Homes	2	2	-0-	-0-
Lots 1-112 of Tract 29386-2	Centex Homes	112	-0-	112	-0-
Lots 115-119 and Lot 121 of Tract 29386-1; Lots 1-18 of Tract 29386.	Hearthside Homes	24	13	11	-0-
Lots 1-12 of Tract 29372	Hearthside Homes	23	-0-	23	-0-
Lots 9-10 of Tract 28897 and Lots 1-9 of Tract 29281	Hearthside Homes	11	-0-	11	-0-
Lots 1-41 of Tract 30736	Hearthside Homes	41	41	-0-	-0-
Lots 17 & 18 of Tract 29386-3[2]	Victoria Grove LLC	2[2]	N/A	N/A	N/A
	TOTALS	**1,021**	**56**	**554**	**411**

DEFINITIONS

Market Value

The term "market value" as used in this appraisal report is defined by Federal Register, Vol. 55, No. 165, Friday, August 4, 1990, rules and regulations, 12 C.F.R. part 34.42(f) as:

> *"The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeable and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*
>
> 1) *buyer and seller are typically motivated;*
> 2) *both parties are well informed or sell advised, and acting in what they consider their own best interest;*
> 3) *a reasonable time is allowed for exposure in the open market;*
> 4) *payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*

[1] Lot 57 has been split into two residential lots.
[2] Lots 17 and 18 of Tract 29386-3 are permanent detention basins (APN's 270-390-03 and 04) and are not included in this appraisal or in the total number of lots.

5) *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

Finished Lot

The term finished lot is defined as:

"A parcel which has legal entitlements created by a recorded subdivision map, whose characteristics are a fine graded level pad with infrastructure contiguous to each individual lot, and asphalt paved roads, and the necessary utilities. This term assumes the payment of all applicable development fees with the exception of building permit and plan check fees."

Blue-Top Lot

The term blue-top lot is defined as:

"A parcel which has legal entitlements created by a recorded subdivision map. The physical characteristics are a mass graded pad with lots graded, streets cut in and utilities stubbed to the site."

INTENDED USE OF THE REPORT

It is the appraiser's understanding that this Summary Appraisal Report is intended to assist the client, the Riverside Unified School District, in determining the feasibility of issuing a third series of special tax bonds within CFD No. 7. This report is to be included in the official statement or similar document to be distributed in connection with the offering of the bonds. It is further understood the appraisal may be a part of a disclosure process provided in the marketing of the bonds.

EFFECTIVE DATE OF VALUE

Opinions and matters expressed herein are stated as of July 1, 2004.

DATE OF REPORT

The date of this report is July 2, 2004.

PROPERTY RIGHTS APPRAISED

The property rights appraised are the fee simple rights subject to easements of record and subject to the lien of the proposed special tax of CFD No. 7 2004 Series A along with the lien of the previously issued CFD No. 7 2000 Series A Bonds and CFD No. 7 2002 Series A Bonds of the Riverside Unified School District.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

The purpose of this Summary Appraisal Report is to provide the appraiser's best estimate of market value for the subject property that consists of 409.67 acres of land. The subject property has approval for 1,021 single-family residential lots ranging in size from 7,200 square feet to 20,000 square feet. With the exception of two tracts, the lots have essentially been built-out with homes sold to individual homeowners. One of the remaining tracts includes 41 finished lots that are beginning house construction while the other tract includes three models and ten finished lots. There are an additional 2 finished lots with house construction ready to begin. This appraisal will conclude on a current market value for the 56 developer owned lots, report the assessed value for the existing, individually owned homes whose assessed value is at least 90 percent of the sales price and report the sales prices for the individually owned homes whose assessed value is less than 90 percent of the sales price. The valuation for the subject property will take into consideration the improvements proposed to be funded by CFD No. 7 2004 Series A, CFD No. 7 2000 Series A and CFD No. 7 2002 Series A.

Section I will be the valuation of the builder owned properties. In appraising the builder owned properties the value estimate will be based on the property's highest and best use conclusion, utilizing both the Sales Comparison Approach to value and a Discounted Cash Flow Analysis ("DCF"), when applicable. Hearthside Homes Inc. owns the only remaining builder owned property. In valuing this property the most appropriate unit of comparison has been determined to be a "finished lot" for the lands, which are either finished lots or homes currently under development. In valuing the existing homes (model homes) owned by Hearthside Homes, Inc., a DCF will be considered due to the single ownership of several homes. In the DCF the retail market value will first be determined (utilizing the Sales Comparison Approach), next a sell-off or absorption period will be determined as well as the costs associated with selling of the homes. Finally, a discount rate that takes into account the time value of money and a profit due to the developer will be taken into consideration in order to arrive at a current present worth ("bulk value") for the merchant builder owned homes. In the case at hand, the Cost and Income Approaches are not considered in the valuation. Section I will conclude with an aggregate value for the remaining lots and existing homes.

Section II will encompass the lands which have an assessed value that is less than 90 percent of the sales price of the homes. These are recently sold homes whose full value was not reported in the Riverside County 2003/2004 Assessor's Roll. That is, either a partially constructed home or a land only value was reported on the roll, while currently there is a completed, individually owned home on the lot. In some instances there is a $0 assessed value as the properties were not yet subdivided at the time the Assessor put together the roll. These are known as the "gap properties". We will report the sales price for these properties in Section II.

Section III is a reporting of the Assessed Value for the existing homeowners which have been fully improved and reported by the 2003/2004 Riverside County Assessor's Roll. For these properties we have compared the sales price to the assessed value and reported the assessed value for the properties that have an assessed value of at least 90 percent of the sales price.

The Summary Appraisal Report will be presented in the following format.

- Description of Regional Area and Immediate Surroundings
- Riverside County Housing Market Analysis
- Description of the Subject Area's Community Plan
- Description of Subject Community Facilities District
- Subject Property Description of Victoria Grove
- Highest and Best Use Analysis
- Section I – Valuation will address the remaining builder owned properties.
- Section II – Reported sales price of individually owned properties that have been purchased from the builders; however, the market value has not yet been reflected on the 2003/2004 Riverside County Assessor's Tax Roll (referred to as gap properties).
- Section III – a reporting of the Assessed Value for existing homeowners which have been improved and reported on the 2003/2004 Riverside County Assessor's Tax Roll.
- Appraisal Report Summary

As stated above, in valuing the subject properties we will use the Sales Comparison Approach. This approach compares similar properties that have recently sold or are currently listed to the subject property. The Sales Comparison Approach is defined as:

> *"... an appraisal procedure in which the market value estimate is predicated upon prices paid in actual market transactions and current listing, the former fixing the lower limit of value in a static or advancing market (price wise), and fixing the higher limit in a declining market; and the latter fixing the higher limit in any market. It is a process of analyzing sales of similar, recently sold properties in order to derive an indication of the most probably sales price of the property being appraised."*[3]

For the single-family residential product, the market considers the unit of comparison on a finished lot condition. The property has all been developed to a finished lot condition.

The due diligence of this appraisal assignment included the following.

1) Compilation of certain demographic information and relating such data to the subject property to determine a feasibility/demand analysis.

2) Interviews with the property owners in obtaining available information on the subject property.

[3] Real Estate Appraisal Terminology, Revised Edition, 1998

3) A review of the Victoria Grove Project Overview Document.

4) A review of the Facilities Report for CFD No. 7.

5) Interviews with the master developer in order to ascertain information on the sales to each of the merchant builders.

6) A review of the preliminary title reports prepared by First American Title Insurance Company that encompass the subject property.

7) A physical inspection of the subject property was made including the current status of development and the subject's unique features.

9) Interviews with the marketing representatives from Hearthside Homes, Inc. regarding their project's sales history, current escrows and proposed build-out.

11) An extensive search of the area for relevant comparable transactions, both sales and offerings. Interviews with appropriate parties were then conducted to ascertain pertinent information relating to each transaction.

12) A search of the area for comparable new housing projects, visiting and reviewing each of the projects in order to value the completed homes within the subject property.

13) Review of Annexation Area No. 2 documentation.

COUNTY OF RIVERSIDE AREA DESCRIPTION

Location

The subject property is located within an unincorporated area of Riverside County (the "County") near the area known as Mockingbird Canyon. Mockingbird Canyon is located approximately 10 miles southeast of downtown Riverside, the county seat of the County. The County encompasses approximately 7,300 square miles, which includes large expanses of undeveloped deserts, valleys, canyons, and mountains. The County is the major recipient of outward urban pressure from Orange and Los Angeles Counties, as well as northerly growth from San Diego County. Although located at the periphery of most urban activity in Southern California, the County, in particular the westerly portion is clearly perceived by most observers as a major growth area well into the foreseeable future. Because of mountain ranges limiting road access into Los Angeles and Orange Counties, Riverside and San Bernardino Counties are considered to belong to the same Metropolitan Statistical Area ("MSA"). This MSA is also known as the Inland Empire. Affordable family housing has been one of the principal assets of this MSA.

Transportation

Four major freeways bisect the County. Interstate 15 travels in a northerly/southerly direction with access to Barstow and Nevada to the north and to San Diego to the south where it approaches the international border with Mexico. The 91 Freeway travels in an easterly/westerly direction and provides access to Orange and Los Angeles Counties to the west and connects with the 60 Freeway and Interstate 215 to the north in San Bernardino County. The 60 Freeway provides access to the west to Los Angeles and to the east where it combines with Interstate 10, providing access to Arizona. Interstate 215 travels in a northerly/southerly direction in the County providing access that generally parallels Interstate 15 to the east.

The County is well served by Amtrak and Metrolink as well as several rail freight lines. The Ontario International Airport provides air service. The airport is located approximately 25 miles north west of the subject in San Bernardino County.

Population

The County has experienced an increasing growth pattern for several decades, with the population more than doubling between 1960 and 1980. Between 1980 and 1990, there was an increase in population of over 65 percent, with the largest numerical gains in the incorporated areas of Moreno Valley, Corona, and Riverside. The largest population percentage gains have been seen in the southwestern portion of the County. This area includes all of the greater Temecula Valley, such as the communities of Anza, Aguanga, Wildomar, Murrieta, Murrieta Hot Springs, and the Rancho California/Temecula area. Per the California Department of Finance, the population of the County as of July 1, 2003 was 1,758,700. This represents an increase of 4.53 percent over the past year and an average annual percentage of approximately 3.0 percent over the previous 11 years.

Economy

The Riverside, San Bernardino, and Ontario MSA has had a strong employment record over the past ten years. Year to date total non-farm employment in the Riverside/San Bernardino MSA increased by 21,700 jobs from 1,090,000 in May 2003 to 1,111,700 in May 2004, a growth rate of 2.0 percent. The most significant gains were seen in the areas of retail, professional and business services and leisure and hospitality. Smaller amounts of growth were seen in construction, financial education and health services. Industries reporting year over job losses during this time period include government, manufacturing, information and natural resources and mining.

During the years 2001 and 2002, there was a mild economic recession. Some economists have indicated we are in an economic recovery, albeit considered mild. In 2003 the economy saw conflicting signs regarding economic recovery, but some stronger indication of recovery in the last few months. The unemployment rate for the MSA is estimated at 5.2 percent (May 2004, Employment Development Department), which reflects a slight decrease from May 2003 when the unemployment rate was 5.5 percent, but a significant reduction from August 1995 when the unemployment rate was 10.0 percent. Put in perspective, the May 2004 unemployment rate for the MSA is 5.2 percent compared to the current California unemployment rate of 5.8 percent and the U.S. unemployment rate of 5.3 percent. By County percentages, the Riverside County unemployment rate for May 2004 is 5.1 percent while the San Bernardino County unemployment rate for May 2004 is 5.3 percent.

Household income has increased significantly in the County. The increase reflects the addition of many middle and upper-middle management employees living in the County. The following table shows the average household income growth in the County.

	1990	2003
Riverside County	$41,562	$53,925

The tragedy of September 11, 2001 and further terrorist activities has affected the economy within the United States. A recession, which began in mid-2001, was described as "mild", and economists stated that we are in an economic recovery mode, albeit a mild one. As the Iraq conflict erupted, the economy seemed to stay sluggish. However, since the major portion of the conflict has ended, the economy has been on a slight upturn, particularly lately with a surge in the stock market and more positive economic news. On a more micro level, within Southern California new home projects are considered to have excellent sales rates. Low interest rates appear to be keeping sales activity at high levels. This is evidenced by the actual sales rates of competing projects in the Riverside area.

Interest rates have played an important roll in the affordability of homes in the subject area as well as in other parts of the nation. In an effort to aid the economy, the federal government acted to reduce interest rates several times during the years 1991-1994. Short-term rates were pushed down sharply; longer-term rates declined, although less dramatically, since the Federal Reserve Board has less control over these rates. From late 1990 through 1993, the bank prime interest rate fell from 10.0 percent to 6.0 percent, and the 30-year U.S. Treasury bond yield fell from 8.5 percent to 6.3 percent over the same period. From 1994 through 1997 short-term rates were raised several times, lowered in 1998 and then raised again in 2000. Throughout 2001 through 2003 rates were lowered several times, resulting in a current discount rate of 1.0 percent. Ten-year treasury yields are currently in the range of 4.5 to 4.75 percent.

Government/ Environmental

The County is home to the Stephens Kangaroo Rat ("SKR"), which is listed on the endangered species list by the Federal Government. For the past ten years the County has had a Habitat Preserve Agency (the "Agency") in order to counter the extinction of this protected animal. In 1995 the Agency was designated a success with enough habitat lands protected and thus, a reduction was made in the Agency. In order to obtain this degree of success the Agency required SKR acreage fees from developers in order to purchase conservation habitat acreage. Due to the success of the Agency, the degree of urgency is considerably less than in previous years. Recently (December 2003) the State of California acquired 9,117 acres between the Cites of Beaumont and San Jacinto for preservation. Reportedly these lands have the "world's highest concentration" of SKR and other endangered species according to the Endangered Habitat League.

New possible endangered species that are affecting the County include the Coastal Sagebrush, which is the habitat for the California Gnatcatcher. Due to the County's success with the SKR conservation, it is anticipated that, if needed, the County will perform the same function for similar endangered species.

The County has recently initiated a Multi-Species Habitat Conservation Plan. The County Board of Supervisors has approved a fee increase from $859 to $1,651 per residential unit and up to $5,620 per acre for commercial property.

Education

The subject area is served by the Riverside Unified School District (the "District"), the fourteenth largest school district in California. It serves a 96 square mile area including the City of Riverside. The district operates 43 school, 29 elementary, one special education school, 11 middle schools, 5 comprehensive high schools, 2 continuation high schools, and one adult alternative education school.

The District provides public education within an approximately 96 square mile area in Riveside County, including the City of Riverside (with the exception of the La Sierra area) and approximately 25% of unincorporated Riverside County, including Highgrove, Woodcrest, and Mockingbird Canyon.

The District is a unified school district organized under the laws of the State of California and has operated as a school district since 1871. The existing unified District was formed on July 1, 1963 through the combining of the Riverside City School District and the Riverside City High School District. The District is a public agency of the State, reporting its activities to the State through the Riverside County Superintendent of Schools. The District provides public education within an approximately 96 square mile area of Riverside County

Higher education is available within an hour's drive, at University of California campus at Riverside and California State University campuses in San Bernardino, San Marcos, Fullerton, and Pomona.

Summary

Residential growth in the County during the late 1980s was explosive. The influence for this growth pattern was primarily commuters from Los Angeles, Orange, and San Diego Counties who were drawn to the area by its affordable housing and quiet country setting. As job growth declined during the recession of the early 1990s, fewer commuters came to the area, creating a significant downward pressure on real estate sales and prices. However, the growing economy over the latter half of the 1990s achieved and surpassed the previous real estate values in the County. Although current national economic conditions have been volatile in the last year (i.e., stock market, Iraq conflict, increasing oil prices), there are positive signs relating to economic growth and the subject area's economy is considered good, with the new housing market in the area still considered strong. The desirability of the County suggests continuous growth in residential construction and sales.

CITY OF RIVERSIDE

The subject property is located in unincorporated Riverside County, near the City of Riverside. The City of Riverside ("Riverside") was incorporated on October 11, 1883 and is located 50 miles east of Los Angeles and 240 miles south of San Francisco. Riverside is the largest city in Riverside County with a present land area of approximately 80 square miles. Originally an agricultural (citrus) center, Riverside has evolved into a commercial and governmental center as the city is the county seat. Riverside is surrounded by Norco and Corona to the west, the unincorporated area of Riverside County to the north, the City of Moreno Valley and unincorporated areas of Riverside County to the east and south.

Population

Riverside has an estimated population of 277,000 per the California Department of Finance as of January 1, 2004. The following chart depicts population growth in Riverside.

Year	Population	Avg. Annual % Increase
1960	84,332	---
1970	140,089	5.2%
1980	170,876	2.0%
1990	209,700	2.1%
2000	262,744	2.3%
2004	277,000	1.3%

Although the past four years growth is lower than previous years, this is due to essential build-out rather than a slow down. The past four years of growth at 1.3 percent in Riverside compares to the County average annual growth of 3.0 percent. The higher County rate is due to the availability of land for development outside of the city limits.

Housing

Residential housing costs within Riverside are among the lowest in Southern California. Riverside formerly had abundant land, which created a lower housing cost in relationship to more intensely populated areas in Southern California especially when compared to the neighboring counties of Orange, Los Angeles and San Diego. However, the city has now essentially been built-out leaving little land for development.

Economy/Commercial Land Uses

The economy and labor force for Riverside have changed with the growth over the past. Historically hailed as the citrus capital of the world, Riverside has evolved into the business and industrial center of the Inland Empire. There are 157 manufacturing firms in the community. Leading group classes or products are aerospace and electronic components; mobile home and RVs; printing, publishing and foam products. Additionally Riverside offers an impressive choice of industrial sites and buildings. Active industrial areas include Hunter Park (a State Enterprise Zone); the Airport Industrial area, the Sycamore Canyon Industrial Park (near subject), and the Central Riverside Industrial Area along with industrial parks at the southern end of Riverside.

The labor force is divided generally between the manufacturing, retail, services, and construction trades. There are abundant skilled, semi-skilled workers in the local labor pool with a scattering of skills. The commercial building trades in the area are almost completely unionized; however, the residential building trades are just the opposite.

Transportation

Riverside is well served by the California freeway system, being bisected by the 91 and 60 Freeways and by Interstates 10 and 15. The 91 Freeway connects Riverside to Orange County on the southwest and to San Bernardino County on the northeast. The Riverside Freeway (91) is one of the area's busiest freeways with a substantial amount of congestion in the westbound direction during the morning hours and in the eastbound direction during the evening hours. This is due to the number of commuters living in Riverside County and employed in Orange and Los Angeles Counties. Two toll roads (the 91 express lanes and 241) opened during the latter half of the 1990s that help alleviate the traffic congestion. Interstate 15 connects Riverside to San Diego County to the south and San Bernardino County to the north. Interstate 10 connects Riverside to Los Angeles County to the west.

The Santa Fe Railroad along with over 20 daily truck carriers serves Riverside. Ontario International Airport is 18 miles to the northwest and is served by most major airlines. The Riverside Municipal Airport is available for general aviation use.

Summary

In summary, the future growth of Riverside should parallel that of the county, albeit at a lower rate due to the limited availability of land for development within the city limits. The location along with being the county seat has established Riverside as a continuing and prospering city.

IMMEDIATE SURROUNDINGS

The subject property is known as Victoria Grove, a successful master planned community, which is reaching build-out. Victoria Grove is located within a semi rural area, which is going through a growth stage of development. Located to the west is the master planned community of Lake Hills, which is almost built out at this time. North of the project is the hillside community known as The Orchards, which is an upscale neighborhood, developed over the past twenty years. South of Victoria Groves is Lake Mathews and its dam. The Metropolitan Water District of Southern California ("MWD") has a gravity aqueduct (underground), which bisects the Victoria Grove Master Planned Community that extends from the northeast corner to the southwest corner of the lands and transports water from Lake Mathews. Victoria Grove has been designed to avoid the underground aqueduct. There are open space lands, trails and roads on the surface of the aqueduct. The subject property is bounded partially by these MWD owned lands. East of the subject property is undeveloped property interspersed with existing housing and nurseries.

The subject lands are near the area known as Mockingbird Canyon, which is seeing substantial residential growth. Homes are selling as fast as they can be built in the area. This has been evidenced by the sales rates and remaining lands within the subject Victoria Grove project. In addition there are two new housing developments beginning construction west of Victoria Grove.

Access to the subject area is via the Riverside Freeway to La Sierra or Interstate 15 to Cajalco Road. Shopping is available north of the subject along La Sierra Avenue within Riverside or westerly on Cajalco Road over to Interstate 15. Additional shopping is available along Van Buren Boulevard approximately 3 miles from the subject. Lake Mathews Elementary School has opened within Victoria Grove to serve the community.

RIVERSIDE COUNTY HOUSING MARKET

In reviewing the County's housing market, a study of population and economic growth needs to be conducted.

As of January 1, 2004, the County had a population estimate of 1,776,700, which is a 3.4 percent increase from January 2003. Originally, an influx of residents from Orange County looking for more affordable housing was instrumental in population increases in Riverside County. Current growth is from both Orange County and north San Diego County, where prices have increased and buyers are looking to outlying areas for more affordable housing.

The recession of the early 1990s impacted the County with a recovery period longer in some parts of the County than in others. The growth in the Inland Empire housing market was slower than expected during the recovery years of 1995 through 1997; however, the resurgence in land sales in the past six years has caused an increase in population and subsequent homebuilding. The rate of housing appreciation was significant in 1998 and 1999 with a slowing in 2000 and 2001. During the years 2002 and 2003 appreciation was rapid once again. The Riverside area is considered prime for businesses, with relatively inexpensive land costs and a quality labor pool. While during the first half of 2003 the nation was in a sluggish, slowly increasing economic mode, the latter half of the year indicated an improving economy. It is interesting to note that even during the first half of 2003 when most of the nation was in a sluggish economy, residential land sales in the Riverside area were exceptionally strong.

Economic growth in the Riverside-San Bernardino area is strong, with over 51,400 new jobs added in 1999 and over 35,000 new jobs added in both the year 2000 and the year 2001. In 2002 the total non-farm employment in the Riverside-San Bernardino area rose by 14,800 jobs to 1,090,400, while in 2003 the growth rate was in the 16,000 jobs range. In contrast to the balance of Southern California, the Inland Empire has experienced 15 years of employment growth despite the early 1990s recession and the job losses in the rest of the Southern California region. While job growth slowed to a low of 0.6 percent in 1993, it still showed a positive gain. In the latter part of the 1990s, the Inland Empire experienced several major economic events that facilitated job growth, including the construction of the Ontario Mills Mall, the Ontario Airport expansion, the Ontario Convention Center, the California Speedway, the Diamond Valley Lake, the Temecula Mall, and a major expansion at the University of California, Riverside. Unemployment has kept steady at a low rate over the past year and while Riverside's rate is higher than some surrounding counties (Orange County 3.2 percent and San Diego 3.8 percent), the current rate of 5.2 percent is significantly lower than the Riverside area's 1995 high of 10.0 percent.

Home prices have been steadily increasing in the County. The Meyers Group, a residential consulting group, has indicated that the average new home price for a detached home in the County as of the end of the first quarter 2004 was $358,077. This represents a 21.2 percent increase over the same period one-year prior, when the average new home price was $295,530. Per The Meyers Group, the current majority of new-home buyers in the County are move-up buyers. This double-digit appreciation is pricing first time homebuyers out of the detached home market and causing resurgence in small lot homes and attached home development.

The County has historically been dominated by detached single-family product due to the low cost of land compared to surrounding counties, which draws commuters from higher-priced counties. The Northwest sub-market, which includes the areas of Corona, Riverside, Norco and unincorporated lands, has experienced strong detached residential sales over the past five years. Currently, this sub-market accounts for 17 percent of the new detached home sales within the County market.

Per the Meyers Group First Quarter 2004 New Home Executive Summary Report for the Inland Empire, the Northwest sub-market had an average base price of $468,446 for new, detached homes, which is a 29.6 percent increase over the same period the year before when the average price was $361,557. As of the end of the first quarter 2004 the average price was based on an average 3,122 square foot home compared to a 2,875 average square foot home twelve months prior. This suggests the detached price per square foot has not actually increased 29.6 percent, but rather there is an increase in the sales or larger homes or more executive type homes in this market area.

The substantial increase in prices in the Northwest sub-market has allowed homeowners to consider moving up and has created the need for larger, more executive type housing in the Riverside market. In the late 1980s and early 1990s Riverside was considered a first-time buyer area and sales were extremely strong for smaller tract housing. Now these previous first time buyers are looking to take the substantially amount of equity that has built up out of their existing, smaller homes and move-up to a larger, more luxurious home. Victoria Grove appears to be targeting this market as their current homes have a size range from 3,428 to 3,920 square feet.

Inventory levels for detached housing had been decreasing for eight years until 1999, when the County had 29 new projects for a total of 223 actively selling projects at year-end 1999. At year-end 2002, there were 284 active projects within the County, with 61 (or 21.4 percent) located in the Northwest sub-market. As of the end of the first quarter of 2004 there were 312 active projects in Riverside County with 52 (or 16.6 percent) being located in the Northwest sub-market. The increasing number of projects in the overall County coupled with the decreasing number of projects in the subject sub-market depicts the limited availability of remaining land in the Northwest sub-market.

Based on detached new home activity in the Northwest sub-market during the first quarter of 2004, there were no home sales in the base price under $300,000 (compared to 38 percent in fourth quarter of 2002), 2.3 percent of the home sales in the $300,000 - $399,999 base price range (compared to 47 percent in the fourth quarter 2002). The $400,000 to $449,999 price range accounted for 31 percent of total detached sales (compared to 8 percent in the fourth quarter 2002), while the $450,000 to $549,000 price range accounted for 47 percent (compared to 8 percent for the fourth quarter 2002) and the $550,000 up price range accounted for 20 percent (compared to 0.1 percent during the fourth quarter 2002). This shows the steady increasing of prices in the subject marketplace.

The Riverside County Northwest sub-market's capture of 17 percent of total County sales relates to 1,242 units (both detached and attached) being sold during the first quarter of 2004. This is up (18 percent) from the same period in 2003. In the first quarter of 2004 overall County sales increased a total of 45.4 percent over first quarter 2003 sales. The lower increase of sales within the subject sub-market depicts a leveling off of sales in the subject area due to the increasing limited availability of land for development. The subject property is located in the Riverside County Northwest sub-market, which has a current average new detached home price of $468,446, an increase of 29.6 percent from the same period in the year 2003 (per The Meyers Group). This figure is higher in comparison to the overall County median price of $358,077.

Inventory in the Northwest sub-market is considered to be extremely low. New homes are selling as fast as they are being released. This is evidenced by the actual standing inventory (units either completed or to be completed in the next 30 days) in the Northwest sub-market of only 16 homes or less than a week's supply for the sub-market.

In summary, the number of increased sales along with a strong increase in prices in the subject market indicates that the beginning of 2004 is seeing continued price increases in the detached home market. The year 2000 saw less appreciation but a significant increase in sales numbers due to lack of supply. The year 2001 saw an increase in price and a significant increase in sales while 2002 continued with strong price increases and increases in sales numbers. The year 2003 concluded with sales number down due to limited supply and prices up substantially due to the still strong demand allowing for existing homeowners to consider moving up. The economic and population growth in the area suggest that demand for housing is good even with other indicators indicating some uncertainty (i.e. stock market volatility, terrorist activities, duration of low interest rates). The subject project appears to be well timed into the subject marketplace. In conclusion, the subject area's appreciation over the past five years, plus the anticipated growth is anticipated to create the need for new, executive housing in the area.

VICTORIA GROVE PROJECT OVERVIEW

Victoria Grove is a master planned community located in the County of Riverside southwest of the City of Riverside, east of the City of Corona, and north of Lake Mathews. On December 28, 1992 the County of Riverside Board of Supervisors approved Specific Plan No. 270 (commonly referred to as The Sierra Collection) and Comprehensive General Plan Amendment No.252 ("GPA 252"). At that time Specific Plan No. 270 ("SP 270") approved a 424-acre project with 825 dwelling units, 8 acres of park, 49.8 acres of Open Space, and a community center. GPA 252 designated an adjoining 226 acres. On December 14, 1999 SP 270 was revised and approved as SP 270-Amendment #1, relocating and increasing park site acreage, creating a school site, expanding residential use into areas not previously covered by SP 270 and changing a former park site to residential use (Tract 29282) in Phase One. Per this amendment, the Specific Plan now covers 511.4 acres and is entitled for 1,144 dwelling units. Including Tracts 28878 and 28873 (part of the Victoria Groves community but not included in the Specific Plan boundaries), the entire community will have the potential of 1,290 dwelling units at build-out. The subject property consists of 1,021 dwelling units of which 965 home have been built out and sold to individual homeowners and 56 remaining houses to be constructed and sold.

The intent of the developers' community plan of Victoria Grove was to take into consideration Riverside's early citrus history. Victoria Grove is a gated community with tree-lined streets and walkways that allow residents to use a proposed 26-acre natural arroyo or walk along the 23.6-acre MWD land that bisects the subject property. The gated community is intended to provide a safer environment for residents oriented toward families with a centrally located elementary school/community park, which is accessible by both trails and automobiles. Victoria Grove has been a successful marketed community with no standing inventory currently available.

COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE)

Community Facilities District No. 7 (Victoria Grove) is proposed to fund the school mitigation fees for the proposed homes on the subject property along with water and sewer improvements of the Western Municipal Water District. CFD No. 7 is anticipated to have several series of bond sales. Riverside Unified School District and Western Municipal Water District have entered into a joint community facilities agreement as authorized by the Mello-Roos Community Facilities Act of 1982. The School District will use the school fees to pay for the design, construction and acquisition of school facilities. Previously, CFD No. 7 Bonds funded the design, construction and acquisition of water and sewer facilities. Initially, CFD No. 7 encompassed only Phases One and Two of Victoria Grove. CFD No. 7 Series A bonds were sold in May 2000. CFD No. 7 2002 Series A Bonds were sold in May 2002 and covered subsequent phases of Victoria Grove. CFD No. 7 2004 Series A Bonds will cover a subsequent phase of development consisting of 41 lots and approximately 11 acres. The actual amounts for the first two bond sales and the estimated amount for the current bond sale are as follows:

	Series A	2002 Series A	2004 Series A
School District	$ 4,312,201	$3,358,237	$ 642,955
Water District	$ 4,312,000	$3,358,236	$ 642,954
Capitalized Interest, Issuance Costs	$2,115,799	$1,438,527	$ 718,065
Total Bond Issue	$10,740,000	$8,155,000	$2,003,973[4]

It is the appraiser's understanding that there may be additional annexations into CFD No. 7 at a later date. This appraisal is for the lands within CFD No. 7 consisting of 1,021 single family detached homes within the current boundaries of Victoria Grove.

[4] Amount subject to change.

SUBJECT PROPERTY DESCRIPTION

Below is a description of the entire subject property. The remaining builder owned property will be briefly described under the valuation section later within this report.

Location:	The subject property is located along the north side of El Sobrante Road, between La Sierra Avenue and McAllister Street in an unincorporated area of Riverside County north of Lake Mathews.
Assessors Parcel Nos.:	The entire subject property is made up of the following Assessor Parcel Nos.

Tract 28872:	270-190-008(p), 009(p), 010 and 270-200-007(p)
Tract 28873:	270-180-001(p), 002(p), 005(p) and 008(p)
Tract 28874:	270-180-001(p), 008 (p),009; 270-190-009(p)and 010(p)
Tract 28875:	270-170-007(p); 270-180-001(p); 270-190-009(p) and 270-200-007(p)
Tract 28878:	270-170-006,007(p);270-180-001(p),002(p)and 005(p)
Tract 29282:	270-170-007(p) and 270-200-007(p)
Tract 28899:	270-040-005, 011 and 013
Tract 28898:	270-040-006 and 270-040-008(p)
Tract 28917:	270-040-008(p) and 270-050-023
Tract 28897:	270-050-041
Tract 29386:	270-020-008, 009, 010, 011; 270-030-002, 003, 004, 005, 006 and 007; 270-040-006 (p): 270-200-003, 004, 006 and 041; 279-020-016
Tract 29281:	270-050-020 and 033
Tract 29372:	270-170-002 and 270-170-006(p)
Tract 30736:	270-030-001

Owner of Record:	Individual homeowners and Hearthside Homes, Inc.
Three Year Sales History:	Victoria Grove, LLC assembled the subject property and processed entitlements during 1997, 1998 and 1999. They closed escrow on the raw parcels from several different landowners on the dates shown below.

Date	APN	Seller
2/05/99	270-200-007; 270-190-009; 270-190-010; 270-170-007; 270-180-001, 008 & 009.	Sui, Kao
2/05/99	270-190-008	Lance
4/15/99	270-180-005, 002: 270—170-006	Cramer

4/30/99	270-040-005 & 006	Pacific Foods
6/15/99	270-050-023 & 041	Marks
6/15/99	270-040-008 (p), 011 & 013	O'Neill
10/4/00	270-020-008, 009, 010 & 011	Waugh
10/4/00	270-200-041 & 279-020-016	Bernie
5/31/00	270-200-003 & 004	Conn
10/4/00	270-200-006	Cramer
10/4/00	270-030-004	Doyle/Bofferding
10/4/00	270-030-006 & 007	Ersek
10/4/00	270-030-002	Klein
4/28/00	270-030-003	Western Valencia Groves
N/A	270-030-005	Henning
6/15/99	270-040-008(p)	O'Neill
3/31/00	270-050-020 & 270-050-033	Kahlen
4/16/01	270-170-002 & 270-170-006(p)	Lee
03/03	270-030-001	Tolson/Otterman

Victoria Grove, LLC sold the majority of Phase One of the subject property to Shea Homes Limited Partnership between February and June 1999. In February 2000 Phase Two was sold to Victoria Partners (TNR Development/Compass Homes). We have reviewed sales documents on each transaction. At the request of the seller, we have kept the transactions confidential, but have considered the sales prices in the analysis.

Shea Homes Limited Partnership resold 89 lots to Regis Homes in April 2000 and 86 lots to John Laing Homes in December 2000. Again, we have been requested to keep the details of these sales confidential.

Centex Homes purchased 112 of the 351 lots within Tract 29386 on August 6, 2001. Standard Pacific Corporation purchased 97 of the 351 lots within Tract 29386 on October 2, 2001. The Brehm Companies, LLC purchased 114 of the 351 lots within Tract 29386 on October 22, 2001. We have reviewed each of the sales contracts for these sales. On September 16, 2002 Hearthside Homes purchased 23 lots within Tract 29372. On March 7, 2003 Hearthside Homes, Inc. purchased 2 additional lots (lot 117 and 121 of 29386-1). On October 11, 2002 Hearthside Homes purchased an additional 22 lots (Tract Map 29386 and 29386-1(p)). On April 20, 2004 Hearthside Homes, Inc. purchased Tract 30736 containing 41 lots. Tract 30736 refers to APN 270-030-001 which was purchased from Victoria Grove Estates, LLC a related entity to Victoria Grove LLC with a different financial investor. The final closing was in regards to two lots (formerly known as Lot 57 of Tract 29386-3 also known as Parcel Map 31191 Lots 1 and 2), which sold to Hearthside Homes, Inc. on April 23, 2004. We have reviewed closing statements on all of these sales. We have retained the information on these transactions in our files due to a confidentiality pledge to the master developer. We have considered the information in our valuation process.

Property Taxes: The subject property is located within Tax Rate Area 88-039 with a tax rate of 1.0880 percent plus direct assessments, which bring the total tax rate to 1.2357 percent. In addition, CFD No. 7 covers the subject property bringing the total tax rate to approximately 1.6-1.7 percent on the current selling homes.

Legal Description: A lengthy metes and bounds legal description for the subject property has been retained in our files. The property is more commonly known as Tract Maps 28872, 28873, 28874, 28875, 28878, 29282, 28897, 28898, 28899, 28289, 29386, 29281, 29372 and 30736; County of Riverside, State of California.

Size and Shape: The subject property is irregular in shape. Per the Victoria Grove Project Overview (in regards to Phases One and Two) and the tract maps (in regards to the remaining lands), the total acreages are as follows.

TTM No.	Acreage	No. of Units	Avg/Minimum Lot Size
Phase I			
28872	35.30	136	7,861/7,200
28873	14.70	57	8,186/7,200
28874	25.00	86	8,512/7,200
28875	40.50	91	10,214/7,200
28878	32.10	89	8,730/7,200
29282	6.90	24	10,214/7,200
Subtotal	154.50	483	
Phase II			
28897	8.46	12	24,430/15,000
28898	30.88	45	13,878/10,000
28899	21.78	49	13,013/10,000
28289	11.75	11	27,438/15,000
Subtotal	72.87	117	
Phase III			
29386	148.0	349	8,728/7,200*
Subtotal	148.0	349	
Phase VI			
29281	6.0	8	23,190/14,685
29372	8.6	23	9,651/7,200
Subtotal	14.6	31	
Phase IV			
30736	19.7	41	10,000/8,000
Total	**409.67**	**1,021**	

*24 of the lots within Tract 29386 have a minimum lot size of 10,000 square feet and an average of 15,400 square feet.

Zoning: The subject property was zoned SP (Specific Plan), A-1-10 and A-P, however, per Change of Zone #6362, the A-1-10 and A-P designated property was changed to R-1. The subject property is designated for residential development per SP 270 and General Plan Amendment No.

252 (GPA #252). SP 270 approved a 424 acre project (covers most of the subject) with 825 dwelling units, 8 acres of park, 49.8 acres of Open Space and a community center on the majority of the subject property and additional lands. The remainder of the subject property was processed as GPA 252 and has had a change of zoning to the current residential land use. The Board of Supervisors of the County of Riverside approved SP 270 on December 28, 1992 by Resolution No. 92-570. Similarly the Board of Supervisors approved GPA 252 on December 28, 1992 by Resolution No. 92-565. In addition SP 270 was approved for an amendment (SP #270 A1) in December, 1999. SP 270 A1 provided for the inclusion within the Specific Plan, the boundary of adjacent lands that were part of the prior GPA 252. The Specific Plan now covers 511.4 acres (more than the subject property) and is entitled for 1,144 dwelling units. There are two tracts (28878 and 28873) which are within the Victoria Grove, however, not included within the Specific Pan boundaries, thus, the entire Victoria Grove community has a potential of 1,290 dwelling units at build-out. Again, it should be noted that the subject property consists of 1,021 dwelling units and 407.67 acres.

Flood Zone: Per FEMA Flood Map 0602451380B, the subject property is in Zone C, an area of minimal flooding.

Entitlements: Between October 1998 and December 1999 the Board of Supervisors approved the subject Tract Maps and SP 270 A1 as shown in the previous table.

Topography: The subject property is level at street grade of El Sobrante Road. The originally topography was gently sloping with some hilly areas. The entire site has been mass graded.

The MWD aqueduct bisects the subject property. The gravity aqueduct is underground with proposed open space, trails and a road on the surface. There is a permanent detention basin which has been constructed offsite which alleviated some of the storm drain issues. There are two remaining lots (Lot 17 and 18 of Tract 29386-3) which will be permanent detention basins and are not included within this appraisal report.

Soils/
Environmental: We have reviewed Leighton and Associates Supplemental Geotechnical Investigations and Mass Grading Plan Reviews for the majority of Victoria Grove. The reports were prepared in 1998 and 1999. The reports conclude that the proposed development is feasible from a geotechnical standpoint provided the stated recommendations are implemented during construction. The recommendations appear to be usual and typical for subject type developments in the Riverside County area. In addition, we have reviewed a Geotechnical Review of Tract Map 30736 (the remaining 41 lots with

homes under construction) prepared by Leighton and Associates, Inc. and dated November 21, 2002. The report concludes that the proposed development of the site appears to be feasible from a geotechnical standpoint, provided the conclusions and recommendations are incorporated into the project plans and specifications and implemented during construction.

The developers of the subject property have obtained all environmental and grading permits needed to develop the subject property including the 1603 permit and all approvals from the Department of Fish and Game, the 401 permit from the State Water Quality Board and the 404 permit from the U.S. Army Corp of Engineers. In addition, mass grading of the site has been completed with appropriate certifications and approvals obtained.

Lake Mathews is located approximately ½ mile south of the subject site. The base of the Lake Mathews dam is at an elevation of approximately 1,300 feet, which is approximately 107 feet above the lowest portion of Victoria Grove. Within the Geotechnical Report it states that "in the case of a failure of the dam (located on the north side of the lake) the majority of the water would flow along La Sierra Avenue to the west of the subject".

We have reviewed a copy of the Department of Fish and Game's Formal Section & Consultation for the 41-lot project on Tract Map 30736. The report concluded that prior to development of the 41-lot site, the purchase of two pairs of gnatcather credits at the Sedco Hills Conservation Bank and the purchase of 24 credits (acres) at the Wan Yoo Wilson Valley Conservation Bank would mitigate the loss of habitat on the subject property. It is the appraisers' understanding that these two mitigation measures have been completed.

This appraisal assumes the soils are adequate to support the highest and best use conclusion. No additional environmental issues were noted upon our physical inspection. However, the appraisers are not experts in the environmental field. If the client has concerns relating to environmental issues on the subject property, it is recommended that an expert in this field be consulted. It is an assumption of this report that there are no environmental concerns that would slow or thwart development of the subject site.

Easements/
Encumbrances: We have reviewed First American Title Company preliminary title reports dated June, August and September 1999, which cover Phases One and Two of the subject property. We have also reviewed First American Title Insurance Company preliminary title report dated May 9, 2001, which covers Phases Three and Six. In addition we have reviewed First American

Title Company Report No. 756230 dated December 12, 2003, which covers Tract Map 30736 or Phase Four. All exceptions appear to be normal and typical for lands in the immediate area.

It is an assumption of this report that the subject property is free and clear of any liens and or encumbrances with the exception of the subject CFD.

Utilities: All normal utilities will be available to serve the subject site by the following companies.

Electrical:	Southern California Edison
Natural Gas:	The Gas Company
Water/Sewer:	Western Municipal Water District of Riverside Co.
Telephone:	Pacific Bell
School District:	Riverside Unified School District

Streets/Access: The subject property has access via the 91 Freeway to La Sierra Avenue, south to El Sobrante Road. Additionally, there is access from Interstate 15, to Cajalco Road, east to La Sierra Avenue, north to El Sobrante Road.

The 91 Freeway is a major east/west freeway throughout the City and most of the County of Riverside. The 91 Freeway provides access to Los Angeles and Orange Counties. There is a new toll road that provides access to southern Orange County from Riverside County, which has made commuting much easier for those who can afford the toll.

La Sierra Avenue is a main arterial generally running in a north/south direction providing access through the City of Riverside and unincorporated areas of Riverside County. To the north La Sierra merges with Arlington Avenue in the northern portion of the City of Riverside while to the south La Sierra terminates at Cajalco Road. La Sierra Avenue has on/off ramps from the 91 Freeway.

El Sobrante Road travels generally in an east/west direction through more rural areas of Riverside County. El Sobrante begins at La Sierra to the west and terminates at Caljalco Road to the southeast.

Cajalco Road also travels in an east/west direction through rural areas of Riverside County. Cajalco begins at the Interstate 15 (west of I-15 Cajalco becomes Eagle Glen Parkway), provides access through the Lake Mathews area to Interstate 215 where it becomes the Ramona Expressway in the City of Perris. There are on/off ramps for Cajalco Road from the Interstate 15 Freeway.

Current Use:	The subject property has been developed into 1,021 usable finished lots. Houses have been completed on 965 of the lots and they have all closed escrow to individual homeowners. The remaining 56 lots include 3 model homes and 53 finished lots. There are 41 homes under construction on the 53 lots; however, homes under construction will be valued as a finished lot.
Costs of Development:	The property has all been developed to finished lots with no remaining land development costs.

HIGHEST AND BEST USE ANALYSIS

The highest and best use is a basic concept in real estate valuation due to the fact it that represents the underlying premise (i.e., land use) upon which the estimate of value is based. In this report, the highest and best use is defined as:

> *"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."*[5]

Proper application of this analysis requires the subject property to first be considered as if vacant in order to identify the "ideal" improvements in terms of use, size and timing of development. The existing improvements (if any) are then compared to the "ideal" improvements to determine if the use should be continued, altered, or demolished preparatory to redevelopment of the site with a more productive or ideal use.

In the following analysis we have considered the site's probable use, or those uses which are physically possible; the legality of use, or those uses which are allowed by zoning or deed restrictions; the financially feasible use, or those uses which generate a positive return on investment; and the maximally productive use, or those probable permissible uses which combine to give the owner of the land the highest net return on value in the foreseeable future.

Physically Possible Uses

The subject property is irregular in shape and contains approximately 410 acres. The site is an unincorporated area in the County of Riverside. The site has a slightly sloping topography beginning at street grade of El Sobrante Road. The entire site has been mass graded with all of the lands in a finished lot condition.

An engineered drainage system has been constructed to alleviate any potential flooding problems. There is a permanent, offsite detention basin to handle run-off.

[5] The Appraisal of Real Estate, Eleventh Edition

We have reviewed soils reports on the subject property. Per the reports, development is possible and feasible. Grading is completed on the subject site. It is an assumption of this report that the soils are adequate to support the concluded highest and best use. This is evidenced by existing structures on the site.

All normal utilities are available to serve the subject site. The property is bounded by rural development with some new construction (Lake Hills) to the west, the existing neighborhood of The Orchards (which also has some new construction) to the north, rural development to the east, and Lake Mathews to the south. Access is considered to be good via either the 91 Freeway or Interstate 15.

Surrounding land uses include new and existing residential development and undeveloped lands. This appraisal assumes that the benefits and/or improvements which are to be funded by CFD No. 7 (2004 Series A special tax bonds) and special tax bonds are completed and accrue to the property, including school fees and a portion of the sewer/water fees as well as the existing CFD No. 7 Series A and CFD No. 7 2002 Series A special tax bonds.

The size, access, and topography of the subject property make it physically suited for numerous types of development; however, the grading and development that has occurred on the site is for single-family residential use. In addition, the surrounding uses of residential development appear to make the subject property more suitable for residential use.

Based on the physical analysis, the subject property appears to be suitable for numerous types of development based on its size and topography; however, the current condition would suggest the lands are limited use to residential development due to their current development state (finished lots).

Legality of Use

The subject property is located within the County, the entity responsible for regulating land use through the implementation of a general plan and zoning ordinance. Per the County, the majority of the subject property is designated as SP (SP 270), while the remaining portion was approved under GPA 252. In addition, entitlements have been obtained for the subject property. As previously detailed (under Subject Property Description-Entitlements), there are 1,021 units allowed within the subject property.

The current entitlements are consistent with the current zoning and general plan. Based on the legality of use analysis, the types of development for which the subject property can be utilized are narrowed to residential use. This is consistent with the findings of the physically possible uses.

Feasibility of Development

The third and fourth considerations in the highest and best use analysis are economic in nature, i.e. the use that can be expected to be most profitable. After the early 1990s recession, residential subdivisions have re-emerged in the subject marketplace. The late 1980s were characterized by rapidly escalating prices, good pre-sale activity, and a strong resale market providing move-up buyers. The housing market began to deteriorate in mid-1990, with home sale prices falling substantially from previous highs. Sale volumes also dropped dramatically, due to the inability of potential buyers to sell their existing residences. The slowdown was due in part to a credit crunch, resulting from lack of residential lenders to replace the faltering savings and loan industry. As described earlier within the "Riverside County Housing Market" section, the current new home market in the subject area is strong with inventory dwindling.

The subject property has approvals for 1,021 new homes. Nine hundred sixty-five of these homes have been built and have closed escrow to individual homebuyers. The remaining lots include three model homes and 53 finished lots, 41 with homes under construction on them. Homes within Victoria Grove have been well received in the marketplace with no standing inventory and all released homes sold and due to close upon completion.

Maximally Productive

In light of the current sales activity in the subject marketplace coupled with the actual activity on the subject property, in our opinion, the subject property is feasible for the master planned residential community with an adequate profit level to entice experienced builders.

Highest and Best Use Conclusion – As If Vacant

The final determinant of the highest and best use analysis, as if vacant, is the interaction of the previously discussed factors (i.e. physical, legal, financial feasibility, and maximum productivity considerations). Based upon the foregoing analysis, it is our opinion that the highest and best use for the subject property is for the development of residential development.

Highest and Best Use – As Improved

Harthside Homes, Inc owns the remaining active project within Victoria Grove which is known as Jasper Ranch at Victoria Grove. The Jasper Ranch project includes 61 lots (5 which are built and closed escrow to individual homeowners). They have released 37 homes and have taken reservations or sold 35 of the homes with the first deliveries scheduled for October/November 2004.

All housing construction appears to be of good workmanship and quality materials. Based on the current condition of the existing homes (new or nearly new) and the sales activity of the active project, it is our opinion that the highest and best use for the existing homes is their current use.

VALUATION PROCEDURE

The valuation procedure will be presented in three sections. Section I will include the valuation of the merchant builder owned property. The merchant builder owned homes (three model homes) will be valued using the Sales Comparison Approach to value followed by a Discounted Cash Flow Analysis ("DCF"). The DCF is applicable to the merchant builder owned homes due to a single ownership of a number of houses. Next the valuation for the finished lots will be completed. Each finished lot comparable market data will be detailed along with a comparison discussion of the data in relationship to the subject property. A finished lot value will then be determined and the remaining 53 lots valued. We will value the homes under construction on the basis of a finished lot rather than attribute value to a partially complete improvement. Section I will conclude with a summary of the final values for the merchant builder owned property.

Section II will then address the gap properties. The gap properties refer to recently sold properties that refer to the sales price being less than 90 percent of the assessed value. That is, that the property was not assessed as a fully improved residence. The sales price will be reported for these properties along with an analysis of the sales price in comparison to current market value.

Section III will be a reporting of the houses that have been fully assessed on the 2003/2004 Riverside County Assessor's Roll. These assessed values are considered to be a minimum market value for these properties.

SECTION I

Jasper Ranch by Hearthside Homes, Inc.

Hearthside Homes, Inc. is developing the project known as Jasper Ranch within Victoria Grove. Jasper Ranch is the last remaining project within the master planned community. Jasper Ranch consists of 61 single-family lots. Five of these lots have been built out and sold to individual homeowners and are valued within Section II of this appraisal. There are three model homes and 53 finished lots, all owned by the merchant builder. Within the 53 lots there are 41 homes under construction, however we will value a home under construction on the basis of a finished lot rather than attribute value to a partially complete improvement.

Below is a description of the factors for the Jasper Ranch project that varies from the overall property description given earlier within this report.

Location:	North side of Greentree Drive at Hidden Trails Drive, Victoria Grove
Legal Description:	Lot 57 of Tract 29386-1 (now 2 lots known as Parcel Map 31191); Lots 1-6 and 12-18 of Tract 29386; and Lots 1-41 of Tract 30736, Riverside County, California.
Lot Sizes:	The lots have an average lot size of over 10,000 square feet.
Entitlements:	Tract 30736 was recorded in May 2004.
Owner of Record:	Hearthside Homes, Inc.
Current Condition:	There are three model homes and 53 finished lots. There are 41 homes under construction on 41 of the 53 finished lots.
Improvement Description:	The subject project is known as Jasper Ranch at Victoria Grove. The homes are of a traditional design with stucco, siding and stone exteriors, concrete tile roofs, roll up garage doors, 3 and 4-car attached garages, ceramic tile entries, side and rear fencing and ceramic tile countertops. The plans are two stories as follows.

Plan No.	Floors	Bed/Bath	Parking	Sq. Ft.	Bldr. Units
1	2	5/3	3-car	3,428	1
2	2	5/4.5	4-car	3,603	1
3	2	6/4.5	4-car	3,920	1

The model homes are located on Lots 3, 4 and 5 of Tract 29386.

Sales Information: Jasper Ranch has released 37 homes and "sold" 35 (deposits taken and/or escrows opened). The first closings are anticipated in October/November 2004.

Merchant Builder Owned Houses Valuation Analysis

There are 3 completed homes (all are model homes) owned by the merchant builder. There are 41 production homes under construction, however, they will be valued on the basis of a finished lot rather than attribute value to a partially completed improvement. In valuing the subject existing homes we have searched the area for similar projects and found several comparable projects in the subject marketplace. The Improved Residential Data Summary Chart is located in the Addenda for your review. The three most comparable plans taken from these projects were then compared to the subject floor plans. Below is a summary of these comparable plans.

The most appropriate data for Plan 1 are:

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	1	5/3	2 / 3	3,428	--
1	2	5/4.5	2 / 4	3,603	$155.70
2	7	5/4	2 / 3	3,512	$166.26
3	3	5/3	2 / 3	3,412	$145.81
4	2	5/4	2 / 3	3,779	$132.31

The comparables are located within either the City of Riverside or the Mockingbird Canyon area of unincorporated Riverside County. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for sales concessions, CFD fees, lot size, total square footage, room count, garage space, and other amenities. The subject has a current base price of $157.81 per square foot. This amount includes a recent price increase. We have concluded at a value of $150.00 per square foot. This calculates as follows:

3,428 sf x $150.00 = $514,200

The most appropriate data for Plan 2 are:

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	2	5/4.5	2 / 4	3,603	--
1	1	5/3	2 / 3	3,428	$157.81
2	7	5/4	2 / 3	3,512	$166.26
3	3	5/3	2 / 3	3,412	$145.81
4	2	5/4	2 / 3	3,779	$132.31

The comparables are located within either the City of Riverside or the Mockingbird Canyon area of unincorporated Riverside County. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for sales concessions, CFD fees, lot size, total square footage, room count, garage space, and other amenities. The subject has a current base price of $155.70 per square foot. This amount includes a recent price increase. We have concluded at a value of $147.50 per square foot. This calculates as follows:

3,603 sf x $147.50 = $531,442

The most appropriate data for Plan 3 are:

Data	Model	Rm. Ct.	Flrs/Pkg.	Sq. Ft.	Price/SF
Subj.	3	6/4.5	2 / 4	3,920	--
1	2	5/4.5	2 / 4	3,603	$155.70
2	6	6/4.5	2 / 3	4,023	$163.78
4	3	6/4	2 / 3	4,083	$132.25
5	4	6/4	2 / 3	3,613	$168.83

The comparables are located within either the City of Riverside or the Mockingbird Canyon area of unincorporated Riverside County. All are of similar quality, design and appeal. Adjustments were considered (when applicable) for sales concessions, CFD fees, lot size, total square footage, room count, garage space, and other amenities. The subject has a current base price of $149.48 per square foot. This amount includes a recent price increase. We have concluded at a value of $145.00 per square foot. This calculates as follows:

3,920 sf x $145.00 = $568,400

Merchant Builder Owned Homes Valuation via Discounted Cash Flow Analysis

Due to the single ownership of the builder owned homes, a DCF is needed in order to arrive at a bulk value taking into account the retail value, absorption time, administrative expenses, and a discount rate.

Retail Value

There are 3 homes owned by the merchant builder including a model for each plan. Per interviews with builders, upgrades and landscape/hardscape of up to $50,000 are installed in each model home. However, builders generally consider this a marketing cost and do not anticipate recovering this investment on a dollar-to-dollar basis. Typically, the model homes sell for more than the base price amount due to the upgrades. We are considering a $30,000 premium for each model home. The concluded retail values from the above analysis are as follows.

Plan 1	$ 514,200
Plan 2	531,442
Plan 3	568,400
Upgrades	90,000
Total Retail Value	$1,704,042

Absorption Period

In order to arrive at an absorption period for the subject homes, we have considered the absorption rates for the projects within the Improved Sales Market Data Summary Chart. The subject project has released 37 homes and sold 35 with the first closings estimated in October/November 2004. For purposes of this analysis, we have estimated that the subject three homes would be absorbed within a one-month period.

Expenses

In determining an expense rate, we have interviewed several builders in the subject area as to their expenses on selling off existing inventory. Expenses include marketing and general administrative costs. These costs typically range from 3 to 6% depending on varying factors such as absorption period, intensity of marketing, etc. We have estimated 4% for marketing expenses and 2% for general and administrative costs for a total of 6% expenses.

Profit

Several interviews with merchant builders in the area were conducted in order to determine an appropriate profit percentage for the subject property. In the past developers typically attempted to achieve a 10 to 12% profit based on gross sales proceeds. During the early 1990s recession this range was lowered considerably to 6 to 10% with some builders drastically lowering their profit potential in order to maintain their work force. As the market improved, so did the profits. Several economic indicators are suggesting another downturn in the economy although the subject housing market still remains strong. We are considering a 10% profit in our analysis for this project.

Discount Rate

In selecting a discount rate, the following was completed.

1) Interviews with merchant builders in the Riverside area.
2) Review of current market conditions including current market rates as well as yields reflected in other markets (i.e. GNMA, corporate bonds, etc.).
3) The quality, construction, historical sales and product on the subject property.

We have concluded at an 8% discount rate for the subject project.

Discounted Cash Flow Summary

The discounted revenue (see facing chart) for the subject existing inventory is $1,421,916 (say) $1,420,000.

Merchant Builder Owned Lot Valuation

A detailed search was conducted to identify sales of similar properties within the subject's immediate and surrounding areas. The search included public records, Multiple Listing Services (MLS), and other published periodicals in order to further identify these transactions. Also, interviews with brokers, property owners, and developers within the market area were conducted. An effort was made to verify sales price, terms, and motivation surrounding each sale. The most pertinent of the comparable data are then compared to the subject property with appropriate adjustments made for varying factors.

In the case of the subject property, we have focused our attention on sales of lands that were utilized for residential use (highest and best use conclusion). Our investigation has determined that the buyers and sellers of these properties negotiate on the basis of the "finished lot". While properties may be acquired on a raw basis, the negotiations tend to evolve around the amount needed to construct the "raw" lot into a "finished" lot. The subject property has been developed into finished lots. It is a special assumption of this report that the subject benefits/improvements that are to be funded by CFD No. 7 (Series A, 2002 Series A and 2004 Series A) are completed or have accrued to the subject property. This will be considered in the value analysis, thus, the final value conclusion for the subject property will be the current market value for the subject property in its "as is" condition assuming the benefits/improvements CFD No. 7 are completed and/or have accrued to the property.

The search for land sales included all of the sales within Victoria Grove, however, due to a confidentiality agreement with the master developer, details of these transactions are not listed in the report. In addition, these sales were all negotiated over one year ago. Due to the age of the subject negotiations and the confidentiality agreement, we expanded our search to include similar sized lots in the areas of South Corona, Mockingbird Canyon and Orangecrest. This search of additional transactions resulted in eight transactions considered to be the most comparable to the subject properties. These sales have been summarized on the following facing chart. A discussion of each sale with its comparison to the subject property is also presented.

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RESIDENTIAL DETACHED LOT SALES SUMMARY CHART

Data No.	Location	Buyer	Seller	Sales Date	# of Lots	Lot Size (SF)	Finished Price/Lot	Comments
1	Mission Ranch, Wood Road and Krameria, Riverside	N/A	Century American	Avail.	43	13,000	$210,000	Portion of the Alta Cresta Specific Plan. To be sold in unimproved condition with approved mapping. Reported price is asking price
2	S/S Overlook Pkwy, E/O Washington, Riverside	Conf.	Kunny	Contract Negotiations	155	20,000	$250,000	To be sold with tentative tract map approval and in unimproved condition. Several offers in price range.
3	Overlook Parkway, W/O Alessandro, Riverside	Conf.	Cagney	Escrow	104	1-Acre	$300,000	Two public homebuilders to partner. Excellent views, no CFD, Deal has gone non-refundable
4	Mission Ranch, Cole Avenue Riverside	Beazer	Sheffield	01 / 04	54	10,500	$170,000	TTM 31362 sold in unimproved condition. Portion of Alta Cresta. CFD with taxes not to exceed 2 %.
5	La Sierra Avenue & Dufferin, Riverside	KB Home	La Sierra	12/03	415	15,000	$185,000 $192,000	Two phase transaction. All cash on first phase with terms on second phase. Purchased unimproved with mapping in place.
6	E/O Hillside Dr, S/O Fifth, Norco Standard Pacific / Norco Ridge	Standard Pacific	Norco Ridge	12/03	108	20,000	$195,000	Sold in finished condition in a 2-phase takedown.
7	E/O Hillside Dr, S/O Fifth, Norco Ryland Homes / Norco Ridge	Ryland	Norco Ridge	12/03	124	20,000	$189,565	Sold in finished condition in a 2-phase takedown.
8	Lake Hills, S/O La Sierra at El Sobrante, Riverside	Brehm	Richland	9/03	512	7,200 10,000 15,000	$180,000	Purchased unimproved with mapping in place. Some excellent views. 18 months grading process with estimated cost of $25 million. Profit participation in addition to price.

Market Data No. 1 refers to a property currently offered for sale by Century American located in the Mission Ranch area approximately 5 miles west of the subject property near the community of Orangecrest. Century American is offering the 43 lots on the market for $210,000 per finished lot. The property is to be sold unimproved condition with approved mapping in place. In comparison to the subject property the minimum lot size of 13,000 square feet is slightly superior then the subject 10,000 square foot lots. In addition, it should be noted this is an asking price only.

Market Data No. 2 pertains to the current negotiations between the Kunny Estate (seller) and a prominent Southern California builder for the 155 single-family detached lots. The property is located approximately 5 miles northeast of the subject at Washington Street and Overlook Parkway in the City of Riverside. According to the seller's representatives there were several offers in the $250,000 price range. They are now in final negotiations with a buyer, which we are keeping confidential at the request of the seller. The lots have a minimum lot size of 20,000 square feet and are being sold based on a $250,000 finished lot price. In comparison to the subject property these lots not only substantially larger, but also have superior location and views in comparison to the subject property.

Market Data No. 3 is located also on Overlook Parkway, however near Alessandro Boulevard near Canyon Crest. Cagney Enterprises is selling the 104 1-acre minimum lots based on a finished lot price of $300,000. This property is in escrow to two public homebuilders who are partnering to complete this transaction. According to brokers familiar with the transaction, money has gone non-refundable. This property has excellent views and no proposed CFD on the site at time of sale. In comparison to the subject this property is considered to be superior in lot size, views and lower overall taxes.

Market Data No. 4 is located near Data No. 1 in the Mission Ranch area of unincorporated Riverside County. Beazer Homes purchased 54 lots from Sheffield Homes in January 2004 based on a finished lot price of $170,000. The lots have a minimum lot size of 10,500 square feet. They were sold in an unimproved condition with mapping in place. There is a proposed

CFD on the site with overall taxes not anticipated to exceed 2 percent. In comparison to the subject property these lots are considered to be similar in size and slightly inferior in location.

Market Data No. 5 is located at La Sierra Avenue and Dufferin Avenue, approximately 3 miles west of the subject property near the City of Riverside city limits. KB Home purchased 415 lots from La Sierra Ventures in December 2003. The lots have a minimum lot size of 15,000 square feet. The property has been purchased in a two-phase takedown and in an unimproved condition with mapping in place. In comparison to the subject property these lots are considered to be slightly superior in size and similar in location, however inferior as they were sold over 6 months ago.

Market Data Nos. 6 and 7 refer to two purchases of equestrian oriented property located in Norco Ridge, northwest of the subject property approximately 10 miles. Both purchases were for lots with a minimum size of 20,000 square feet. Both closed in December 2003 and both were sold in a two-phase takedown. Standard Pacific purchased 108 lots based on a finished lot price of $195,000 while Ryland Homes purchased 124 lots on the basis of a $189,565 finished lot. In comparison to the subject property, these are considered to be superior in lot size (20,000 square feet compared to the subject's 8,400 minimum square feet) and inferior due to the date of sale (over 6 months ago in a rapidly appreciating market).

Market Data No. 8 pertains to the September 2003 sale of 512 lots near the subject property at La Sierra and El Sobrante in Riverside. Brehm purchased the lots on the basis of a $180,000 finished lot. This property was sold in a raw condition with mapping in place. Although there are some excellent views, there is an extensive grading operation. There is profit participation in addition to the sales price. In comparison to the subject, this property has a substantial amount of risk while the subject property is considered to be in a finished lot condition making it inferior. In addition, this transaction was negotiated approximately one year ago, prior to a substantial amount of appreciation in the subject marketplace.

The market data is summarized below.

Data No.	Lot Size (SF)	Date of Sale	Finished Lot Price	Comparison to Subject
1	13,000	Available	$210,000	Superior lot size and not yet closed sale.
2	20,000	Negotiations	$250,000	Superior lot size and not yet closed sale.
3	1-Acre	Escrow	$300,000	Superior lot size, views, not yet closed sale, lower overall taxes.
4	10,500	01 / 04	$170,000	Inferior – location
5	15,000	12/03	$185,000 $192,000	Superior – lot size; Inferior date of sale.
6	20,000	12/03	$195,000	Superior – lot size; Inferior date of sale.
7	20,000	12/03	$189,565	Superior – lot size; Inferior date of sale.
8	7,200 – 15,000	9/03	$180,000	Inferior – risk and date of sale.

This market data has a price range of $170,000 to $300,000 on a finished lot basis. Data Nos. 1, 2 and 3 pertain to larger lots and transactions that are not yet closed along with some lower overall tax rates. The remainder of the market data ranges from $170,000 to $195,000. With the exception of Data No. 3, all of the property are within similar CFDs or have proposed CFDs on the property.

The subject property has been developed to finished lots. Based on the market data, current market conditions and the status of the subject property, we have concluded that the subject lots have a finished lot value of $190,000. The value for the subject 53 lots is as follows:

53 lots x $190,000 = $10,070,000

Section I Summary

Section I involved the valuation of the merchant builder owned lands within CFD No. 7. There are three model homes and 53 lots in a finished condition that are owned by Hearthside Homes, Inc. The final value conclusions are shown below.

Three Model Homes	$ 1,420,000
53 Finished Lots	10,070,000
Total Section I Value	**$11,490,000**

SECTION II – GAP PROPERTIES

Section II relates to a value for the individual owned homes that have recently sold and are not reflected as fully improved on the 2003/04 Riverside County Assessor's Roll. We have reviewed the actual sales prices for these homes. We have concluded based on the improved residential sales located in the Addenda, that the sales prices represent a market value for the homes. A property was classified as a gap property if the sales price was less than 90 percent of the Assessed Value. The reader may note that in some instances there is a $0 Assessed Value. This is actually a lot/parcel in which the Assessor has yet to assign an Assessor's Parcel Number based on the subdivision of the lands that has occurred.

Below is a listing of the Assessor's Parcel Number (when available), owner, tract/lot numbers and sales price for each property. The information is totaled at the conclusion.

ID	Asmt	Lot	Tract No.	Ownership	Sales Price	Sales Date	GAP %
1	270210004	4	TR 28872	*JALIQUE DOMIKLADOR	$370,000	8/29/03	66%
2	270210010	10	TR 28872	*LAFLEUR GREG	$395,000	9/23/03	63%
3	270210022	52	TR 28872	*MARAVILLA MARGARITO	$421,818	12/24/01	59%
4	270210027	57	TR 28872	*RIVAS SANDY	$340,000	8/8/03	83%
5	270210029	59	TR 28872	*REA LARRY	$335,000	7/18/03	81%
6	270210046	81	TR 28872	*STANCIU SAVA	$385,000	12/31/03	66%
7	270210051	86	TR 28872	*JOHNSON JEFFREY	$255,500	2/26/03	33%
8	270210052	87	TR 28872	*COUNTEE PIERRE	$278,000	12/5/03	89%
9	270210053	88	TR 28872	*THEUNE NATHAN	$311,000	2/27/03	48%
10	270210058	97	TR 28872	*LE MARIE THIANA	$284,000	2/28/03	34%
11	270210059	98	TR 28872	*GAY MATT	$303,000	2/28/03	32%
12	270210060	99	TR 28872	*YOUNGBLOOD L A	$275,000	3/16/03	35%
13	270210061	100	TR 28872	*MCARAL MYLENE	$263,000	3/6/03	33%
14	270210062	101	TR 28872	*PISKULICH FRANKO	$297,500	3/7/03	32%
15	270210063	102	TR 28872	*CORTES FRANK	$293,500	3/7/03	33%
16	270210064	103	TR 28872	*SERYNECK PATRICK	$295,500	3/7/03	33%
17	270210065	104	TR 28872	*GUTIERREZ MIGUEL	$291,000	2/27/03	65%
18	270210066	105	TR 28872	*WREN DENNIS	$362,000	7/2/03	59%
19	270210067	106	TR 28872	*ZARKA BASSAM	$375,000	6/5/03	60%
20	270210068	107	TR 28872	*FLORES MIGUEL	$293,000	3/13/03	33%
21	270220020	30	TR 28875	*DEANDA S J	$395,000	11/4/03	71%
22	270220041	83	TR 28875	*MAYNARD JOSEPH	$487,000	10/16/03	65%
23	270230058	14	TR 29282	*THOMPSON JOHN	$445,000	11/03	66%
24	270230061	17	TR 29282	WARD SEAN K	$278,500	10/02	68%
25	270240003	24	TR 28872	*ASKEW NICHOLAS	$374,000	11/03	64%
26	270240004	25	TR 28872	*BURREL JEREMY	$324,000	1/03	84%
27	270240010	31	TR 28872	*NOAH JOHN	$390,000	11/03	58%
28	270240012	33	TR 28872	*CORROS GERALDINE	$395,000	10/03	62%
29	270240013	34	TR 28872	*CORROS JOHN	$370,000	8/03	68%
30	270240016	37	TR 28872	*RUSHLOW MARK	$355,000	7/03	72%
31	270240017	38	TR 28872	*MANNAVONG DENNY	$322,000	5/03	76%

32	270240028	49	TR 28872	*WISOTZKE ROBERT	$368,000	9/03	74%
33	270240046	114	TR 28872	*PETERSON DARREN	$321,000	8/03	71%
34	270240048	116	TR 28872	*NAPOLEON WIBERT	$380,000	8/03	64%
35	270240053	121	TR 28872	*CARTER VERONICA	$338,500	4/01	69%
36	270250001	1	TR 28899	*DUMAS DANIEL	$483,500	9/03	15%
37	270250002	2	TR 28899	*TOMA VASILE	$391,000	9/03	19%
38	270250003	3	TR 28899	*WASFI TAMER	$431,500	10/03	17%
39	270250004	4	TR 28899	*GARCIA JOSE	$439,500	9/03	17%
40	270250005	5	TR 28899	*CHOI HYUN	$462,500	9/03	16%
41	270250006	6	TR 28899	*PAYAWAL JOSE	$395,000	9/03	19%
42	270250007	7	TR 28899	*BEAN RONNIE	$454,000	10/03	16%
43	270250009	44	TR 28899	*AVALOS SALVADOR	$476,000	9/03	16%
44	270250010	45	TR 28899	*JOYCE CHRISTOPHER	$415,500	9/03	18%
45	270250011	46	TR 28899	*OLSON JACK	$499,500	10/03	15%
46	270250012	36	TR 28899	CHE KWAG II	$455,000	1/30/04	16%
47	270250013	37	TR 28899	IGNACIO ALANIS	$463,000	1/16/04	16%
48	270250014	38	TR 28899	*THORNTON TIMOTHY	$504,500	12/03	15%
49	270250015	23	TR 28899	*AIRADA FERNANDO	$471,500	12/03	16%
50	270250016	24	TR 28899	*KUO TSUI	$558,000	12/03	13%
51	270250017	25	TR 28899	MOLINE CONNIE	$493,000	1/21/04	15%
52	270250019	27	TR 28899	*COSSACK JUDITH (30208 1/15/04)	$636,500	1/04	56%
53	270250022	30	TR 28899	NA EUN	$541,500	2/27/04	14%
54	270250023	31	TR 28899	BRACKIN JOHN	$449,000	2/20/04	17%
55	270250024	32	TR 28899	LASZLO STEVEN	$428,500	3/5/04	17%
56	270250025	33	TR 28899	HARRIS KENNETH	$436,000	3/9/04	17%
57	270250026	34	TR 28899	*PATEL DIPIKA	$434,000	2/03	17%
58	270250027	35	TR 28899	SENG TOLA	$528,000	2/27/04	14%
59	270250028	47	TR 28899	*TRAN LOAN	$416,000	10/03	18%
60	270250029	48	TR 28899	*PYUNE EDDIE	$490,000	10/03	15%
61	270250030	49	TR 28899	*CHU KEVIN	$570,000	11/03	13%
62	270260001	8	TR 28899	*MENDOZA LUIS	$499,500	10/03	15%
63	270260002	9	TR 28899	*MCALLISTER DOUGLAS	$469,000	11/03	16%
64	270260003	10	TR 28899	*NAQUILA GREG	$467,000	11/03	16%
65	270260004	11	TR 28899	*KHAN RIAZ	$453,500	11/03	16%
66	270260005	12	TR 28899	*CADANO DANILO	$403,500	11/03	18%
67	270260006	13	TR 28899	*FOLEY JAMES	$473,000	11/03	16%
68	270260007	14	TR 28899	*AFAGH ARMAN	$494,500	11/03	15%
69	270260008	15	TR 28899	*JOHNSON WILLIAM	$491,000	11/03	15%
70	270260009	16	TR 28899	*CESA GEORGE	$521,500	11/03	14%
71	270260010	17	TR 28899	*NGUYEN QUYNH	$442,000	11/03	17%
72	270260011	18	TR 28899	*GONZALEZ DAVID	$518,500	11/03	14%
73	270260012	19	TR 28899	*CALIA PHILLIP	$472,500	1/04	16%
74	270260013	20	TR 28899	*BUI SON	$467,500	12/03	16%
75	270260014	21	TR 28899	*JHONG PHILLIP	$448,500	1/04	17%
76	270260015	22	TR 28899	*NEDELCU FLORIN	$451,500	12/03	16%
77	270260016	39	TR 28899	*BOSH CARLOS	$424,000	1/04	18%
78	270260017	40	TR 28899	*PAGE DONALD	$474,500	12/03	16%
79	270260019	42	TR 28899	*LAGASCA JULIE	$434,500	10/03	17%
80	270250008	43	TR 28899	GRANGER, D	$442,000	1/04	17%
81	270250018	26	TR 28899	MCALARY SEAN	$666,500	1/04	58%
82	270250020	28	TR 28899	BURGO, KERRY	$545,500	1/04	61%
83	270250021	29	TR 28899	SHIMIZU FAMILY TR.	$554,500	2/04	59%
84	270260018	41	TR 28899	GARLOCK, DANIEL	$422,500	12/03	18%
85	270270004	4	TR 28917	*LAPERLE LEROY	$565,000	7/03	13%
86	270270005	5	TR 28917	*NICHOLSON LONNIE	$643,000	7/03	12%
87	270270007	7	TR 28917	*HUDSON JOHN	$527,500	6/03	14%
88	270270008	8	TR 28917	*CALIA PHILLIP	$509,000	8/03	15%
89	270270009	9	TR 28917	*MONSON LEE	$596,000		12%
90	270270011	11	TR 28917	*CRUZ JESUS (517476 7/11/03)	$557,500	7/03	13%
91	270270012	12	TR 28917	*AWUNGANYI JOHN	$540,500	8/03	14%
92	270270006	6	TR 28917	COSGAYON, ROSARIA	$606,000		12%

93	270270010	10	TR 28917	*SPITALNICK TRUST (4996477/3/03	$325,000		23%
94	270280003	3	TR 28898	*LAMMIE RICHARD	$405,500	6/03	25%
95	270280004	4	TR 28898	*WILLIAMS RICHARD	$442,500	5/03	23%
96	270280005	5	TR 28898	*STAYTON JESSE	$545,000	12/03	19%
97	270280006	6	TR 28898	*MASTROIANNI PAUL	$543,000	6/03	19%
98	270280007	7	TR 28898	*COLE ROBERT	$439,000	5/03	23%
99	270280008	8	TR 28898	*DOMENSINO GYSBERT	$433,000	7/03	23%
100	270280009	9	TR 28898	*GUZMAN JANET	$513,000	5/03	20%
101	270280010	10	TR 28898	*BADAWIYA HUSAM	$444,500	5/03	23%
102	270280011	11	TR 28898	*LNB TRUST	$401,000	5/03	25%
103	270280012	12	TR 28898	*MURANSKIS MARIA	$458,000	5/03	22%
104	270280013	13	TR 28898	*BATTISTONI JOHN	$443,500	5/03	23%
105	270280014	14	TR 28898	*NOLFF GARY	$473,000	5/03	21%
106	270280015	15	TR 28898	*WAISANSEN TRUST	$410,000	5/03	24%
107	270290001	23	TR 28898	*BLOCK JACQUELINE	$453,000	3/03	44%
108	270290002	24	TR 28898	*NGUYEN J D	$476,000	3/03	42%
109	270290003	25	TR 28898	*GUZMAN TONY	$466,500	3/03	42%
110	270290004	26	TR 28898	*MORAN PABLO	$446,500	3/03	43%
111	270290005	27	TR 28898	*MACK ROSS	$500,000	2/03	21%
112	270290006	28	TR 28898	*OVERHOLTZER JAMES	$417,000	3/03	46%
113	270290007	29	TR 28898	*NEREIM GREGORY	$547,500	2/03	36%
114	270290008	30	TR 28898	*LOPEZ JOSE	$429,500	4/03	43%
115	270290009	31	TR 28898	*MORGAN RONALD	$542,000	2/03	36%
116	270290010	32	TR 28898	*ELIOT DAVIC	$408,500	2/03	45%
117	270290011	33	TR 28898	*ZUBAK ROBERT	$394,000	2/03	50%
118	270290012	34	TR 28898	*PATEL DIPIKA	$434,000	2/03	47%
119	270290013	35	TR 28898	*LEVAK PETER	$399,000	2/03	61%
120	270290020	42	TR 28898	ALVARADO ELIAS	$475,000	2/27/04	16%
121	270290021	43	TR 28898	GRUGER DON	$396,800	2/26/04	19%
122	270290022	44	TR 28898	KRETSCHMAR ANDREW	$594,000	2/27/04	13%
123	270290023	45	TR 28898	SCARDINA FAMILATRE	$594,000	3/2/04	13%
124	270300005	5	TR 28897	*AUSTIN JIMMY	$623,000	1/03	82%
125	270300009	9	TR 28897	*NEWBOLT, VELTILENA (783157 10/3/03)	$580,000	10/03	6%
126	270310001	1	TR 28878	*KESSINGER PAUL	$464,000	11/03	44%
127	270310002	2	TR 28878	*ABORDO TINA	$408,000	11/03	42%
128	270310003	3	TR 28878	*LEE JONG	$454,500	12/03	42%
129	270310004	4	TR 28878	*HADEK MICHAEL	$435,000	12/03	16%
130	270310005	5	TR 28878	*RONCEVICH KEVIN	$396,000	11/03	17%
131	270310006	6	TR 28878	*PHAM BINH	$408,000	11/03	17%
132	270310007	7	TR 28878	*WASHINGTON INGRAM	$346,000	3/03	31%
133	270310008	8	TR 28878	*LANDES STEVEN	$352,500	3/03	30%
134	270310009	9	TR 28878	*OLSEN ROBERT	$319,500	3/03	31%
135	270310010	10	TR 28878	*ALEXANDER GREGORY	$485,000	1/04	23%
136	270310011	11	TR 28878	*DUDEVOIDR DAVID	$354,500	4/03	31%
137	270320002	16	TR 28878	*PAYASSIAN AVO	$320,000	1/03	89%
138	270320005	19	TR 28878	*ELDER JERRY	$395,500	12/03	70%
139	270320010	61	TR 28878	*TREJO CESAR	$288,500	5/03	31%
140	270320012	63	TR 28878	*DARDEN STEVE	$380,000	7/03	87%
141	270320016	67	TR 28878	*LEE KANG	$343,000	6/03	82%
142	270320017	68	TR 28878	*LINFOOT STEPHEN	$302,000	3/03	33%
143	270320018	69	TR 28878	*PARKER HERMAN	$332,500	3/03	34%
144	270320019	70	TR 28878	*PITTMAN ELIZABETH	$332,500	5/03	33%
145	270320020	71	TR 28878	*HUNG HUEINA	$303,500	4/03	34%
146	270320021	72	TR 28878	*MIGUEL JONASH	$304,500	3/03	35%
147	270320032	83	TR 28878	COX JAN LOUIS	$307,000	2/03	86%
148	270320037	88	TR 28878	*MASTROIANNI PAUL	$356,500	5/03	23%
149	270320038	89	TR 28878	*STROM BRIAN	$341,000	4/03	24%
150	270320039	41	TR 28878	*WELLER ALFRED	$350,000	10/03	20%
151	270320040	42	TR 28878	*CORTEZ DANIA	$372,500	9/03	18%
152	270320041	43	TR 28878	*CORTEZ DANIA	$360,500	9/03	19%
153	270320042	44	TR 28878	*PETERSON ANNE	$348,000	9/03	20%

154	270320043	45	TR 28878	*SHIMIZU JESRRY	$361,000	9/03	19%
155	270320044	46	TR 28878	*MIXON CARRIE	$371,000	9/03	19%
156	270320045	47	TR 28878	*HANLEY FAMILY TRUST	$347,000	9/03	20%
157	270320046	48	TR 28878	*GUTIERREZ OSCAR	$375,000	9/03	71%
158	270320048	50	TR 28878	*MILLS JONATHAN	$365,000	11/03	77%
159	270320065	30	TR 28878	*STERLING RICHARD	$415,000	10/03	17%
160	270320066	31	TR 28878	*TIEFENTHLER RAY	$327,500	3/03	32%
161	270320067	32	TR 28878	*HAHN MARK	$314,500	3/03	32%
162	270320068	33	TR 28878	*GONZALEZ RICHARD	$367,500	4/03	22%
163	270320069	34	TR 28878	*GALLWEY ROBERT	$351,000	4/03	23%
164	270320070	35	TR 28878	*BRIGGS ROBIN	$344,000	5/03	24%
165	270320071	36	TR 28878	*WASHINGTON HOWARD	$415,000	11/03	20%
166	270320072	37	TR 28878	*FUNKHOUSER DEAN	$327,500	5/03	24%
167	270320073	38	TR 28878	*MITCHELL TERRY	$346,000	5/03	24%
168	270320074	39	TR 28878	*CASTRO MARK	$345,909	5/03	23%
169	270320075	40	TR 28878	*YOUSIF DANIEL	$331,000	5/03	25%
170	270320080	87	TR 28878	*CHRISTIE BRIAN	$293,000	4/03	85%
171	270330021	21	TR 28874	*REMOCA DANIELA	$370,000	9/03	81%
172	270340024	66	TR 28874	*MONTGOMERY LAURIE	$399,000	11/03	66%
173	270340034	76	TR 28874	*TURSI JOSEPH	$366,000	7/03	66%
174	270340040	82	TR 28874	*KARAKO HAJNALKAS	$317,000	6/03	75%
175	270340044	86	TR 28874	*QUINTANS MANUEL	$417,500	9/03	68%
176	270350001	1	TR 28873	*BEENE WILLIAM	$288,500	1/03	90%
177	270350002	2	TR 28873	*ZABALA REYNALDO	$276,500	1/03	69%
178	270350004	4	TR 28873	*WALTERS DOUGLAS	$249,000	1/03	77%
179	270350005	5	TR 28873	*GAITAN LOURDES	$277,500	1/03	69%
180	270350006	6	TR 28873	*DAVIS SCOTT	$298,500	2/03	87%
181	270350007	7	TR 28873	*LARSON JOHAN	$289,500	1/03	66%
182	270350008	8	TR 28873	*BURCH JOHN	$265,500	1/03	72%
183	270350011	11	TR 28873	*GUTIERREZ CARLOS	$275,500	3/03	76%
184	270350023	23	TR 28873	ALFONSO SINCLAIR R	$529,000	11/02	49%
185	270350049	49	TR 28873	*STACUI EMANUEL	$375,000	9/03	70%
186	270350052	52	TR 28873	*KHAWAJA ASIM	$413,000	1/04	70%
187	270350056	56	TR 28873	*KURBEGOVIC EMER	$330,000	5/03	81%
188	270430001	1	TR 29372	*BALINGIT RENE	$387,000	11/03	16%
189	270430002	2	TR 29372	*CONSTANTINO JEAN	$391,000	11/03	15%
190	270430003	3	TR 29372	*MCLURKIN WILLIAM	$389,000	11/03	15%
191	270430004	4	TR 29372	*BEAN WILLIAM (955983 12/03)	$400,500	12/03	15%
192	270430005	5	TR 29372	*WORKMAN TED (720208 9/03)	$415,000	9/03	15%
193	270430006	6	TR 29372	*LYND MICHAEL	$363,000	9/03	17%
194	270430007	7	TR 29372	*ZAMUDIO-RUIZ	$349,500	10/03	17%
195	270430008	8	TR 29372	*FELIX ANDES (768121 9/03)	$336,500	9/03	18%
196	270430009	9	TR 29372	*JOHNSON MICHAEL	$350,500	9/04	17%
197	270430010	10	TR 29372	*CHESER BRIAN	$348,545	9/05	17%
198	270430011	11	TR 29372	BUNOAN N	$332,400	8/8/03	18%
199	270430012	12	TR 29372	HAHN ELIZ	$356,500	8/8/03	17%
200	270430013	13	TR 29372	*OHLMSER BRIAN	$367,000	8/19/03	16%
201	270430014	14	TR 29372	HAMBRICK K	$395,450	8/4/03	15%
202	270430015	15	TR 29372	WEBB IVORY	$400,500	8/13/04	15%
203	270430016	16	TR 29372	OWENS HAROLD	$396,000	8/15/03	15%
204	270430017	17	TR 29372	KLEUENO TARA	$346,500	8/13/03	17%
205	270430018	18	TR 29372	DEVINE JEREMY	$414,500	8/22/03	15%
206	270430019	19	TR 29372	ROESSLER JOHN	$379,000	8/14/03	16%
207	270430020	20	TR 29372	GILBERT PHILLIP	$365,000	8/14/03	16%
208	270430021	21	TR 29372	RODRIGUEZ JAC	$317,500	8/15/03	19%
209	270430022	22	TR 29372	*HYUNG DON (673005 8/03)	$368,000	8/15/03	16%
210	270430023	23	TR 29372	PARKER DEAN	$353,500	8/20/03	17%
211	270390001	15	TR 29386-3	CUNNINGHAM KAREN MICHELLE	$350,000	10/26/2002	19%
212	270390002	16	TR 29386-3	ROSS J DARIAN & VICKIE J	$350,000	8/20/2002	19%
213	270390005	19	TR 29386-3	BURT MELANIEE	$347,500	11/22/2002	15%

214	270390006	20	TR 29386-3	HERBERT GREGORY D & LINDA	$328,000	9/27/2002	20%
215	270390007	21	TR 29386-3	KHOURY LIVONA	$319,000	9/27/2002	20%
216	270390008	22	TR 29386-3	CHAVEZ RICK D & THERESA M	$317,000	9/27/2002	21%
217	270390009	23	TR 29386-3	ROSAAN JONATHAN A	$300,000	12/6/2002	17%
218	270390010	24	TR 29386-3	DIMALANTA MICHAEL	$318,000	11/27/2002	20%
219	270390011	25	TR 29386-3	CUNNINGHAM WILLIAM J	$325,000	12/3/2003	20%
220	270390012	26	TR 29386-3	ADAMS KEVIN & CAREY	$340,000	12/3/2002	19%
221	270390013	27	TR 29386-3	CAL VET	$355,000	10/2/2003	18%
222	270390014	28	TR 29386-3	MOTWALA JAWAID	$342,000	12/5/2002	19%
223	270390015	29	TR 29386-3	FINNEY DERRICK D & LASHONN	$363,500	12/6/2002	18%
224	270390016	30	TR 29386-3	VU ENTHI	$328,000	12/11/2002	20%
225	270390017	31	TR 29386-3	BENNALLACK GREGORY A	$344,500	12/17/2002	15%
226	270390018	32	TR 29386-3	MCDANIEL RHONDA D	$311,000	12/13/2002	21%
227	270390019	33	TR 29386-3	HOWES WALTER T	$390,000	12/11/2002	17%
228	270390020	34	TR 29386-3	SHIRLEY HAROLD L & KATHLEEN	$363,000	9/27/2002	18%
229	270390021	35	TR 29386-3	HESLIP RALPH & DORIANNE	$289,000	9/30/2002	22%
230	270390022	36	TR 29386-3	ROWE SCOTT BRUCE & LEIGH	$305,000	10/1/2002	21%
231	270390023	37	TR 29386-3	LAVIGNE NORMAND G	$272,000	10/3/2002	24%
232	270390024	38	TR 29386-3	SUDER CHARLES & PATRICIA	$324,000	2/14/2003	16%
233	270390025	39	TR 29386-3	PATTERSON HENRY J	$303,000	2/19/2003	17%
234	270390026	40	TR 29386-3	LEPALE TALOLO T JR	$357,500	2/21/2003	14%
235	270390027	41	TR 29386-3	LE KIET H	$297,500	2/21/2003	17%
236	270390028	42	TR 29386-3	LIANG SHUWEN	$332,000	2/21/2003	16%
237	270390029	43	TR 29386-3	HAM CHI H	$369,000	5/15/2003	14%
238	270390031	45	TR 29386-3	SU LIH-YING	$327,000	5/16/2003	16%
239	270390032	46	TR 29386-3	WILLIAMS RODGER E & RUTH	$402,000	5/18/2003	13%
240	270390033	47	TR 29386-3	MILLER LARRY L & NANCY R	$346,000	5/21/2003	15%
241	270390034	48	TR 29386-3	BOYADJIAN SARKIS S & LISA	$417,000	5/21/2003	12%
242	270390035	49	TR 29386-3	LANDRY TODD C & JEAN	$516,500	5/22/2003	10%
243	270390036	50	TR 29386-3	JOHNSTONE STEVEN L	$404,500	6/22/2003	13%
244	270390037	51	TR 29386-3	GAARD MICHAEL G	$375,000	6/30/2003	14%
245	270390038	52	TR 29386-3	LEE JUNGSUP	$402,272	6/27/2003	13%
246	270390040	54	TR 29386-3	LETTIS ROBERT A	$355,000	3/7/2003	15%
247	270390041	55	TR 29386-3	POLING LARS E	$334,000	3/7/2003	16%
248	270390043	88	TR 29386-3	CISNEROS ROBERT A	$331,000	8/18/2002	20%
249	270390044	89	TR 29386-3	MARTIN GEORGE M	$312,000	8/14/2002	21%
250	270390045	90	TR 29386-3	CASTRO EDWARD	$319,000	8/22/2002	20%
251	270390046	91	TR 29386-3	WEAVER JEFFREY S	$283,500	10/7/2002	23%
252	270390047	92	TR 29386-3	HARON HOSEM	$300,000	10/8/2002	22%
253	270390048	93	TR 29386-3	WRIGHT BRIAN	$333,000	10/4/2002	20%
254	270390050	95	TR 29386-3	ONEAL DANNY C & DEBORAH	$317,000	2/25/2003	16%
255	270390051	96	TR 29386-3	ORTIZ JOSE	$330,000	2/28/2003	16%
256	270390052	97	TR 29386-3	EVANGELISTA SANTIAGO F	$321,000	3/4/2003	16%
257	270390053	98	TR 29386-3	MARTINEZ JOSE R & JANE M	$311,000	2/28/2003	17%
258	270390054	99	TR 29386-3	MOORE ROBERT	$371,000	3/3/2003	14%
259	270400001	3	TR 29386-3	DAVIS ROBERT	$427,000	10/16/2003	12%
260	270400002	4	TR 29386-3	INGLIS RICHARD	$408,000	10/15/2003	13%
261	270400003	5	TR 29386-3	DO PETER P & KIMBERLY L	$368,000	10/10/2003	14%
262	270400004	6	TR 29386-3	PAN XIAOPENG	$368,000	10/10/2003	14%
263	270400005	7	TR 29386-3	HERRERA ANDREA M	$370,500	10/10/2003	14%
264	270400006	8	TR 29386-3	PEETE KEVIN & PAMELA	$281,000	7/28/2002	23%
265	270400007	9	TR 29386-3	RICHARDSON CUIYING ZHANG	$278,000	7/28/2002	23%
266	270400008	10	TR 29386-3	CHIUMINATTA SUSAN L	$288,000	7/30/2002	23%
267	270400009	11	TR 29386-3	AGUIRRE ALFREDO	$280,500	7/31/2002	23%

268	270400010	12	TR 29386-3	PICO SYLVIA	$287,000	8/1/2002	23%
269	270400011	13	TR 29386-3	DURANT CATHERINE	$336,600	8/2/2002	19%
270	270400012	14	TR 29386-3	STRADER RICHARD L & ARBARA	$303,000	8/5/2002	21%
271	270400018	62	TR 29386-3	CASTILLO DENIS J	$358,000	8/1/2003	14%
272	270400019	77	TR 29386-3	CAL VET	$355,500	10/2/2003	15%
273	270400020	78	TR 29386-3	WILLIAMS D	$419,000	10/6/2003	12%
274	270400021	79	TR 29386-3	WOUTS WALHELOUS G	$375,000	10/6/2003	14%
275	270400022	80	TR 29386-3	ROBINSON J	$390,000	10/7/2003	13%
276	270400023	81	TR 29386-3	VANBUREN K	$391,000	10/8/2003	13%
277	270400024	82	TR 29386-3	YEE ROBERT	$365,000	10/9/2003	14%
278	270400025	83	TR 29386-3	LEUNG DENNIS YING LUN	$360,000	8/30/2002	18%
279	270400026	84	TR 29386-3	ADAMS KEITH R & LINDA M	$307,500	8/6/2002	21%
280	270400027	85	TR 29386-3	MISKELLY SUSAN & JOHN	$269,000	8/8/2002	24%
281	270400028	86	TR 29386-3	RYDER SCOTT M & MARY B	$317,500	8/8/2002	20%
282	270400029	87	TR 29386-3	MANTZ RALPH JOSEPH	$321,500	8/12/2002	20%
283	270390030	44	TR 29386-3	BLACKBURN, G	$342,000	5/21/2003	15%
284	270390039	53	TR 29386-3	BUDLONG, BRUCE	$352,000	3/5/2003	15%
285	270390042	56	TR 29386-3	LINTHEIN, ZAW	$350,000	3/12/2003	15%
286	270390049	94	TR 29386-3	YUSON, RAUL	$343,500	2/26/2003	15%
287	270400014	58	TR 29386-3	TAURANY, N.	$386,000	7/28/2003	13%
288	270400015	59	TR 29386-3	HALL, LLOYD	$397,000	7/29/2003	13%
289	270400016	60	TR 29386-3	FLATH, WALTER	$324,000	7/30/2003	16%
290	270400017	61	TR 29386-3	FUIZ, DAVID	$348,000	7/31/2003	15%
291	270400030	100	TR 29386-3	INNES, BRENT	$310,500	3/4/2003	17%
292	270400035	11	TR 29386-1	WHALEN PATRICIA	$370,000	9/19/2003	15%
293	270400036	12	TR 29386-1	OLIVER JOEL C & IRENE M	$373,000	10/1/2003	14%
294	270400037	13	TR 29386-1	WALKER COREY	$319,500	10/3/2003	17%
295	270400038	14	TR 29386-1	HUANG RONG Z	$347,000	9/12/2003	16%
296	270400039	15	TR 29386-1	BUNEN	$407,000	9/30/2003	13%
297	270400040	16	TR 29386-1	HILL ARIC M & SHONNA M	$334,000	8/12/2003	16%
298	270400041	17	TR 29386-1	ALEXIS KEITH M & JOYCELYN	$368,000	9/11/2003	15%
299	270400042	18	TR 29386-1	MITCHELL SHANE A & JENNIFER	$328,500	8/28/2003	16%
300	270400043	19	TR 29386-1	VENTRE	$322,500	6/30/2003	17%
301	270400044	20	TR 29386-1	WILCOX JOHN V & KIM N	$311,100	6/20/2003	17%
302	270400045	21	TR 29386-1	KIM GRACE H	$353,000	7/3/2003	15%
303	270400046	22	TR 29386-1	SANTES	$330,600	6/18/2003	16%
304	270400047	23	TR 29386-1	LIEBELT TOD	$310,000	8/15/2003	17%
305	270400048	24	TR 29386-1	NORTH DANIEL	$320,000	8/8/2003	17%
306	270400049	25	TR 29386-1	BRADLEY GORDON L & JACKIE	$309,500	8/19/2003	17%
307	270400050	26	TR 29386-1	TRAN CALVIN & CHRISTY	$363,000	8/28/2003	15%
308	270400051	27	TR 29386-1	PARRA HARRY	$330,500	8/29/2003	16%
309	270400052	28	TR 29386-1	TRAN PHILLIP	$323,000	8/28/2003	17%
310	270400053	29	TR 29386-1	RUSSELL MARK L	$353,500	9/4/2003	15%
311	270400054	30	TR 29386-1	BARBARIA MAHENDRA	$319,500	8/8/2003	17%
312	270400055	31	TR 29386-1	MARTIN GWENYTH P	$317,000	8/28/2003	17%
313	270400056	32	TR 29386-1	CHOUDRY	$335,500	8/29/2003	16%
314	270400057	33	TR 29386-1	THOMPSON ANDRE R	$318,000	7/3/2003	17%
315	270400058	34	TR 29386-1	HESSLINK ROBERT L JR	$340,000	6/19/2003	16%
316	270400059	35	TR 29386-1	MEEK HAROLD	$331,500	6/13/2003	16%
317	270400060	36	TR 29386-1	TORRES MARCOS	$315,000	4/1/2003	17%
318	270400061	37	TR 29386-1	MAI BAO T T	$313,500	6/8/2003	17%
319	270400062	38	TR 29386-1	MENDOZA ANTHONY & WENDY	$328,000	3/28/2003	16%
320	270400063	39	TR 29386-1	TRAN PAUL	$335,500	5/16/2003	16%
321	270400064	40	TR 29386-1	ROBINSON PATRICK J	$318,800	6/9/2003	17%
322	270400065	47	TR 29386-1	ASSAP GHASSANI	$343,500	5/15/2003	16%
323	270400066	48	TR 29386-1	HUYNH PAUL P V	$307,500	5/13/2003	18%
324	270400067	49	TR 29386-1	NELSON DONALD R JR	$343,500	4/4/2003	16%
325	270400068	50	TR 29386-1	BLACK GARY	$285,500	5/16/2003	19%

326	270400069	51	TR 29386-1	VIVEROS LILA	$315,900	4/24/2003	17%
327	270400070	79	TR 29386-1	BRAWNER MARY	$306,000	6/13/2003	18%
328	270400071	80	TR 29386-1	MARTIN RODOLFO E & GLORIA	$362,000	4/28/2003	15%
329	270400072	81	TR 29386-1	SAFAR DONALD W JR & YVONNE	$307,000	8/28/2003	18%
330	270400073	82	TR 29386-1	GANSER, STEVE	$327,000	7/3/2003	16%
331	270400074	83	TR 29386-1	BARTON NORMAN C & MARTHA	$353,500	7/3/2003	15%
332	270400075	84	TR 29386-1	CHIHABI	$332,000	6/13/2003	16%
333	270400076	85	TR 29386-1	FALSETTO P	$313,000	9/17/2003	17%
334	270400077	86	TR 29386-1	SHAH IRSHAD H	$333,500	9/28/2003	16%
335	270400078	87	TR 29386-1	BERKELEY JOHN F & LAURA M	$362,000	9/19/2003	15%
336	270410001	1	TR 29386-3	GRANT ALLAN H	$505,000	10/30/2003	10%
337	270410002	2	TR 29386-3	VO CAHN Q	$486,000	10/17/2003	11%
338	270410005	1	TR 29386-1	REYES RUBEN & MARY H	$256,000	9/13/2002	25%
339	270410006	2	TR 29386-1	FERRIERI RONALD J & SYLVIA	$291,500	8/27/2002	22%
340	270410007	3	TR 29386-1	NELSON BRETT A & MICHELE R	$299,000	8/28/2002	22%
341	270410008	4	TR 29386-1	VERGARA DEAN ROBERTO T	$289,000	9/16/2002	22%
342	270410009	5	TR 29386-1	SHUKOSKI BERNARD JOHN	$310,000	9/20/2002	21%
343	270410010	6	TR 29386-1	JONES CHARLES A & ALESIA F	$327,500	9/27/2002	20%
344	270410011	7	TR 29386-1	GETTEMY MARDEE C	$292,000	9/11/2002	22%
345	270410012	8	TR 29386-1	SCHOEN MARCUS & NOREEN	$270,000	9/6/2002	24%
346	270410013	9	TR 29386-1	DIMARANAN FLAVIANO II	$363,318	9/18/2003	18%
347	270410014	10	TR 29386-1	CHAPMAN JOHN & SUZANNE	$370,500	9/11/2003	15%
348	270410015	52	TR 29386-1	STREBEL GRETA REYES	$323,500	12/19/2002	20%
349	270410016	53	TR 29386-1	LOPEZ WILLIAMS S	$348,500	12/20/2002	18%
350	270410017	54	TR 29386-1	SMITH THERESA G	$325,500	3/7/2003	20%
351	270410018	55	TR 29386-1	WILKINS KAMANI O & CHRISTIE	$293,400	3/11/2003	22%
352	270410019	56	TR 29386-1	MEEKS HAROLD & MARGIE	$309,000	12/6/2002	21%
353	270410020	57	TR 29386-1	TAYLOR MARK WINFORD	$276,000	12/10/2002	24%
354	270410021	58	TR 29386-1	CLEMENTE ANDREW T	$311,500	12/6/2002	21%
355	270410022	59	TR 29386-1	HAYS JOHNNY E & JOANNE M	$282,000	12/13/2002	23%
356	270410023	60	TR 29386-1	LEE WAN K	$301,500	12/13/2002	22%
357	270410024	61	TR 29386-1	ROCHA ANGEL & NANNETTE M	$299,000	11/18/2002	21%
358	270410025	62	TR 29386-1	NONNO NICHOLAS	$274,000	11/22/2002	24%
359	270410026	69	TR 29386-1	KEATING JOHN FRANCIS	$304,000	11/26/2002	21%
360	270410027	70	TR 29386-1	RAY INDRAJIT	$342,000	12/10/2002	19%
361	270410028	71	TR 29386-1	JABER FAHED A & SAMAR A	$288,000	12/12/2002	23%
362	270410029	72	TR 29386-1	MARTIN MACK	$327,000	1/20/2003	20%
363	270410030	73	TR 29386-1	COUNELIS STEVEN G	$299,000	12/26/2002	22%
364	270410031	74	TR 29386-1	BOBBOOM JAN WILLEM	$383,500	3/11/2003	17%
365	270410032	75	TR 29386-1	ARCINIEGA JAVIER A	$336,500	3/21/2003	19%
366	270410033	76	TR 29386-1	SO WAI-KEUNG	$317,500	4/10/2003	20%
367	270410034	77	TR 29386-1	HOLLAND LISA M	$320,700	2/28/2003	20%
368	270410035	78	TR 29386-1	OESER PAUL R III & SCHERRIE	$327,272	3/28/2003	20%
369	270410036	88	TR 29386-1	REARDON JAMES & WAN YE	$254,500	9/18/2002	34%
370	270410037	89	TR 29386-1	JONES KENNETH E	$323,500	10/16/2002	20%
371	270410038	90	TR 29386-1	MILLS JOSEPH	$293,500	9/12/2002	22%
372	270410039	91	TR 29386-1	JENSEN JEFFREY L & SUZANNE	$306,000	9/16/2002	21%
373	270410040	92	TR 29386-1	DEER RUSSELL LEROY	$258,500	9/30/2002	25%
374	270410041	93	TR 29386-1	MIGLER JAMES L & VALERIE E	$292,500	9/13/2002	22%

375	270410042	94	TR 29386-1	VALENTICH DAVID & MICHELLE	$296,500	10/8/2002	22%
376	270410043	95	TR 29386-1	FOX MICHAEL SCOTT	$262,000	8/30/2002	25%
377	270410044	96	TR 29386-1	STEINMETZ GEORGE & EDIE	$288,000	8/30/2002	23%
378	270410045	97	TR 29386-1	STROMBERG DAN P & KARIN M	$298,500	9/25/2002	22%
379	270410046	98	TR 29386-1	BOSWELL JULIE C & JAMES N	$244,500	9/13/2002	35%
380	270410047	117	TR 29386-1	BARTRAM TIMOTHY	$489,000	3/5/2004	4%
381	270410048	118	TR 29386-1	GHODS TAHEREH F	$477,500	3/4/2004	9%
382	270410049	119	TR 29386-1	DUNN ROB L & KELLY R	$444,500	2/27/2004	10%
383	270410051	121	TR 29386-1	NICHT, TORSTEN	$431,500	3/5/2004	5%
384	270420001	63	TR 29386-1	MAAYTAH RANDA M	$307,500	11/19/2002	18%
385	270420002	64	TR 29386-1	AWADALLAH RAFIK	$311,500	11/21/2002	17%
386	270420003	65	TR 29386-1	ROMERO ANTHONY J	$296,700	11/14/2002	18%
387	270420004	66	TR 29386-1	PITCHFORD DOUGLAS R	$357,000	11/15/2002	15%
388	270420005	67	TR 29386-1	SCHICK JACQUELYN H	$278,000	11/13/2002	19%
389	270420006	68	TR 29386-1	SURMAN EDWARD W	$323,500	12/9/2002	17%
390	270420007	99	TR 29386-1	HANNA ROGER L	$320,900	12/23/2002	17%
391	270420008	100	TR 29386-1	JOHNSON PETER C II & SUSAN	$368,500	11/12/2003	15%
392	270420009	101	TR 29386-1	HAN BOK H	$400,000	11/12/2003	13%
393	270420010	102	TR 29386-1	YAMAMOTO, R	$335,000	11/6/2003	13%
394	270420011	103	TR 29386-1	ALFAIA RUI J	$386,500	11/20/2003	14%
395	270420012	104	TR 29386-1	CHIEK L	$363,000	11/7/2003	15%
396	270420013	105	TR 29386-1	PALACIOS F	$351,000	11/10/2003	15%
397	270420014	106	TR 29386-1	FARAH SAMI	$343,000	11/14/2003	16%
398	270420015	107	TR 29386-1	LIPIN WILLIAM R	$278,000	12/31/2003	20%
399	270420016	108	TR 29386-1	HAMZA JACQUELINE O	$440,000	12/8/2003	13%
400	270420017	109	TR 29386-1	BUDKA CHRISTOPHER D	$486,000	12/17/2003	11%
401	270420018	110	TR 29386-1	LE THANN D	$399,000	11/7/2003	14%
402	270420019	111	TR 29386-1	CAMACHO JOSE	$358,000	11/7/2003	15%
403	270420020	112	TR 29386-1	DOOSERESHT ROBERT	$353,500	11/8/2003	15%
404	270420021	113	TR 29386-1	WILLIS S	$381,500	12/12/2003	14%
405	270420022	114	TR 29386-1	WILLIAMS CAROLINE A	$272,500	9/5/2002	24%
406	270420023	115	TR 29386-1	CLARKE BRANDON T & CELINE	$504,500	2/24/2004	9%
407	270420024	116	TR 29386-1	ALLEVA ANTHONY & MARIAN	$509,000	2/19/2004	8%
408	270440007	7	TR 29386	VILLICANA VICTOR	$520,500	12/28/2003	9%
409	270440008	8	TR 29386	JACKSON CHARLES E & EMMA	$450,000	12/28/2003	11%
410	270440009	9	TR 29386	LEE MYUNG H	$436,454	12/19/2003	11%
411	270440010	10	TR 29386	TAYLOR ARLENE	$554,000	12/17/2003	9%
412	270440011	11	TR 29386	JACKSON RONALD JR & THELMA	$487,000	12/16/2003	10%
413	270360001	1	TR 29386-2	MCALARY SEAN	$606,500	1/8/2004	9%
414	270360005	5	TR 29386-2	MANGAYA A	$254,000	12/20/2002	21%
415	270360006	6	TR 29386-2	TREMBLE PAUL H & TRISHA A	$362,600	8/17/2003	15%
416	270360014	14	TR 29386-2	TRAN PHUONGANH Q	$384,000	11/7/2003	14%
417	270360015	15	TR 29386-2	LEE JOHN C	$380,500	11/13/2003	14%
418	270360018	18	TR 29386-2	CENTEX HOMES	$475,000	11/21/2003	11%
419	270360019	19	TR 29386-2	BAYLAS GERALD B	$457,000	12/5/2003	12%
420	270360020	50	TR 29386-2	ESTIOKO ELMER O A	$394,000	11/21/2003	14%
421	270360021	51	TR 29386-2	YASUDA IVAN & LINDA	$379,000	9/28/2003	14%
422	270360022	52	TR 29386-2	PALANISAMY PRABHU	$323,300	11/7/2003	20%
423	270360023	53	TR 29386-2	PEREZ HECTOR & OLIVIA	$348,500	12/20/2002	19%
424	270360024	101	TR 29386-2	RUNNING LLOYD K & YVONNE	$344,000	12/24/2002	19%
425	270360025	102	TR 29386-2	PAJARITO FREDERICK A	$283,000	12/17/2002	23%
426	270360026	103	TR 29386-2	MARTINEZ ROMAN R	$335,000	12/17/2002	19%
427	270360027	104	TR 29386-2	FRAZER KEVIN D & SANDRA S	$320,000	5/19/2003	17%

428	270360034	111	TR 29386-2	GRACE KATHRYN	$353,000	8/20/2003	15%
429	270370001	20	TR 29386-2	DEGUZMAN AGUILES A	$432,000	11/21/2003	15%
430	270370002	21	TR 29386-2	GAMBOA STEVE R SR & LORI J	$382,000	10/31/2003	17%
431	270370003	22	TR 29386-2	MODRYNSKI JASON D & MANDY	$430,664	11/14/2003	15%
432	270370004	23	TR 29386-2	VILLEGAS BEN R & ELVIA B	$304,500	10/17/2002	21%
433	270370005	24	TR 29386-2	WILLIAMS KEITH & ANDREA A	$292,000	10/11/2002	22%
434	270370006	25	TR 29386-2	OLSZYNSKI RICHARD O	$290,000	10/18/2002	22%
435	270370007	26	TR 29386-2	RAMOS CHESTER R & LISA K	$300,500	10/18/2002	22%
436	270370008	42	TR 29386-2	DOUGLAS STEVENS A	$300,000	10/25/2002	22%
437	270370009	43	TR 29386-2	ELIZARRARAS DANNY T	$255,000	10/25/2002	25%
438	270370010	44	TR 29386-2	RUBI PATRICIA A	$324,000	10/25/2002	20%
439	270370011	45	TR 29386-2	MENDEZ RAMON F & MARIA	$310,000	10/31/2002	21%
440	270370012	46	TR 29386-2	BUCKELEW JUSTIN D	$352,500	8/28/2003	18%
441	270370013	47	TR 29386-2	GEARY JASON M	$363,000	9/28/2003	18%
442	270370014	48	TR 29386-2	AN XIANGHAO	$354,000	9/26/2003	18%
443	270370016	54	TR 29386-2	PRIGMORE KENT C & MARIAN	$302,500	12/13/2002	21%
444	270370017	55	TR 29386-2	ROY JASON & SANDRA	$308,500	12/31/2002	21%
445	270370018	56	TR 29386-2	KIRKPATRICK RON & CHERYL	$343,000	12/30/2002	19%
446	270370019	57	TR 29386-2	YEASMIN SABINA	$329,000	2/14/2003	19%
447	270370020	58	TR 29386-2	LANGSTON THOMAS P & JUDY	$353,000	1/31/2003	18%
448	270370021	59	TR 29386-2	MENDEZ ANTHONIO F & MYRNA	$358,000	2/5/2003	18%
449	270370022	60	TR 29386-2	LOPEZ ARNOLD P & MARYANN	$344,500	4/2/2003	18%
450	270370023	61	TR 29386-2	MARXEN MICHAEL D	$336,500	2/27/2003	19%
451	270370024	62	TR 29386-2	COURY KIRT A & LAURA L	$325,000	2/13/2003	20%
452	270370025	83	TR 29386-2	MCCANN CHRISTOPHER D	$364,000	2/26/2003	17%
453	270370026	84	TR 29386-2	THOMPSON GREGORY A	$329,000	3/14/2003	19%
454	270370027	85	TR 29386-2	HELUS RICHARD & APRIL L	$310,500	2/13/2003	20%
455	270370028	86	TR 29386-2	MISTRETTA ROBERT J & JANE	$328,500	3/21/2003	19%
456	270370029	87	TR 29386-2	DRINNIN WILLIAM P & CRYSTAL	$351,000	6/20/2003	18%
457	270370030	88	TR 29386-2	PALMARES MARILYN L	$385,500	2/4/2003	16%
458	270370031	89	TR 29386-2	HANSMA JOEL F & GLADYS J	$374,000	3/18/2003	17%
459	270370032	90	TR 29386-2	FERRONATO DAVID R	$318,500	1/24/2003	20%
460	270370033	91	TR 29386-2	WIGGS MATTHEW E	$340,000	2/6/2003	19%
461	270370034	92	TR 29386-2	EMMONS-ALLISON JULIANN	$390,500	2/14/2003	16%
462	270370035	93	TR 29386-2	BARROZO DANIEL	$345,000	3/14/2003	18%
463	270370036	94	TR 29386-2	PARBELL JEFFERY A	$353,000	2/11/2003	18%
464	270370037	95	TR 29386-2	SIGSBEE MICHAEL D	$342,500	3/14/2003	19%
465	270370038	96	TR 29386-2	VERDUGO KIMBERLEE	$357,000	2/7/2003	18%
466	270370039	97	TR 29386-2	LUCERO RICHARD	$319,000	2/28/2003	20%
467	270370040	98	TR 29386-2	RILLO AGELITO A	$302,500	2/21/2003	21%
468	270370041	99	TR 29386-2	PORCHIA STEPHANIE M	$353,000	12/23/2002	18%
469	270370042	100	TR 29386-2	BONALES JAVIER	$430,000	3/27/2004	15%
470	270370046	41	TR 29386-1	COATNEY BRANDON A	$329,500	5/18/2003	19%
471	270370047	42	TR 29386-1	WALKER OTT HIEDI A	$310,000	6/3/2003	21%
472	270370048	43	TR 29386-1	GREEN DARRIN M & JANELLE	$381,000	5/29/2003	17%
473	270370049	44	TR 29386-1	SATTER CHAD S & MONICA M	$420,000	2/26/2004	15%
474	270370050	45	TR 29386-1	QUILATAN TERENCE T	$368,000	6/23/2003	17%
475	270370051	46	TR 29386-1	WHITTINGTON RALPH D	$304,000	6/16/2003	21%
476	270380001	27	TR 29386-2	HALL KEN & DOREATHA L	$305,500	10/23/2002	21%
477	270380002	28	TR 29386-2	LIANG YU C & YU H	$351,000	11/22/2002	15%
478	270380003	29	TR 29386-2	ALAZAR ROBERTO S	$291,000	11/21/2002	18%

479	270380004	30	TR 29386-2	DEDIDIO JOHN K & NICHOLE A	$318,800	11/13/2002	17%
480	270380005	31	TR 29386-2	GUADARRAMA JENNIFER S	$298,000	11/22/2002	18%
481	270380006	32	TR 29386-2	LIANG YULIN	$330,000	11/20/2002	16%
482	270380007	33	TR 29386-2	LEWIS RYAN M	$315,500	11/27/2002	21%
483	270380008	34	TR 29386-2	BOWERS JASON & VERONICA	$306,000	11/22/2002	21%
484	270380009	35	TR 29386-2	SIMARD JONATHAN D & DAWN	$280,500	11/22/2002	23%
485	270380010	36	TR 29386-2	VATISTAS LUKAS & ELENA	$324,500	11/22/2002	20%
486	270380011	37	TR 29386-2	FREEMAN ANDREW	$289,500	11/19/2002	22%
487	270380012	38	TR 29386-2	SIMMONS TOMM	$279,500	11/19/2002	23%
488	270380013	39	TR 29386-2	HORSLEY MICHAEL GLEN	$296,200	11/8/2002	21%
489	270380014	40	TR 29386-2	HURTADO GERARDO M	$394,000	10/31/2002	16%
490	270380015	41	TR 29386-2	MELGOZA ISRAEL & KARINA	$307,000	11/1/2003	21%
491	270380016	63	TR 29386-2	KEARNEY NIALL	$338,000	3/26/2003	19%
492	270380017	64	TR 29386-2	WHITE CLARENCE	$339,800	4/23/2003	19%
493	270380018	65	TR 29386-2	WILLIAMS KEVIN	$330,000	5/23/2003	19%
494	270380019	66	TR 29386-2	CHRISTY BRIAN	$329,000	3/13/2003	19%
495	270380020	67	TR 29386-2	OLSEN KRIS	$350,000	3/11/2003	18%
496	270380021	68	TR 29386-2	LEE SRUNG	$339,000	5/12/2003	19%
497	270380022	69	TR 29386-2	STENSON THOMAS	$351,000	6/24/2003	18%
498	270380023	70	TR 29386-2	ANDERSON CARI	$373,000	3/14/2003	17%
499	270380024	71	TR 29386-2	PAGE RICHARD	$342,500	3/25/2003	19%
500	270380025	72	TR 29386-2	DANG ALEXANDER N JR	$342,000	6/30/2003	19%
501	270380026	73	TR 29386-2	PATOW W	$360,500	6/19/2003	18%
502	270380027	74	TR 29386-2	FLICKINER	$321,000	5/16/2003	20%
503	270380028	75	TR 29386-2	KIM CHUN	$345,500	6/27/2003	18%
504	270380029	76	TR 29386-2	ROSS VIRGAL	$308,500	6/5/2003	21%
505	270380030	77	TR 29386-2	RATKOVICH	$324,000	6/3/2003	20%
506	270380031	78	TR 29386-2	MYERS JOHN	$363,000	6/26/2003	18%
507	270380032	79	TR 29386-2	YANG T	$310,000	5/29/2003	21%
508	270380033	80	TR 29386-2	REROMA F	$352,500	6/27/2003	18%
509	270380034	81	TR 29386-2	KRISHAN KEWAL	$417,000	12/15/2003	15%
510	270380035	82	TR 29386-2	VOGEL SHAUN	$343,500	3/24/2003	19%
511	270360002	2	TR 29386-2	SISAUATH, THIPH	$347,000	9/15/03	15%
512	270360003	3	TR 29386-2	LUKIER, LAM	$343,500	9/12/03	16%
513	270360004	4	TR 29386-2	TAYLOR, DAVID	$363,500	9/5/03	15%
514	270360007	7	TR 29386-2	CHUNG, IN SUNG	$355,900	8/26/03	15%
515	270360008	8	TR 29386-2	ALVARADO, R.	$350,000	8/8/03	15%
516	270360009	9	TR 29386-2	WILKINS, RAY	$330,500	8/8/03	16%
517	270360010	10	TR 29386-2	DOLLENTE, N.	$347,500	7/31/03	15%
518	270360011	11	TR 29386-2	ITEM, ALFRED	$363,500	8/4/03	15%
519	270360012	12	TR 29386-2	NISBET, D.	$371,500	7/29/03	14%
520	270360013	13	TR 29386-2	SINGH, EQBAL	$323,000	7/28/03	17%
521	270360016	16	TR 29386-2	SILVA, F.	$377,500	10/30/03	14%
522	270360017	17	TR 29386-2	BURNS, DAVID	$395,500	11/5/03	14%
523	270360028	105	TR 29386-2	KHOURY, G.	$318,500	8/8/03	17%
524	270360029	106	TR 29386-2	MATHEWS, DONALD	$380,000	11/15/03	14%
525	270360030	107	TR 29386-2	KNIGHT, MARK	$331,000	8/5/03	16%
526	270360031	108	TR 29386-2	JENKINS, JENNIFER	$346,000	8/29/03	15%
527	270360032	109	TR 29386-2	PEREZ, JESSE	$349,500	8/22/03	15%
528	270360033	110	TR 29386-2	IGNACIO, JOSE	$353,500	8/29/03	15%
529	270360035	112	TR 29386-2	DELROSARIO, J.	$363,000	9/3/03	15%
530	270370015	49	TR 29386-2	GARCIA, ARNULFO	$343,500	9/26/2003	19%
531	270300031	10	TR 28897	GOSUICO, CLODO	$584,500	10/10/2003	0%
532	270300020	1	TR 29281	JEKAYINFA, ABED	$689,500	11/7/2003	0%
533	270300021	2	TR 29281	HUANG, SHYANG	$485,000	10/15/2003	0%
534	270300022	3	TR 29281	ELLISON, DONNI	$621,500	10/31/2003	0%
535	270300023	4	TR 29281	VICTORIA, GLORIA	$668,400	12/19/2003	0%
536	270300024	5	TR 29281	BAMBRICK, KEN	$565,900	10/10/2003	0%
537	270300025	6	TR 29281	PAGE, JAMES	$609,000	10/29/2003	0%
538	270300026	7	TR 29281	BURNETT, TROY	$517,200	10/10/2003	0%

539	270300027	8	TR 29281	BAUMAN, ROBERT	$564,000	10/21/2003	0%
540	270300030	9	TR 29281	PETERMAN, JAMES	$577,000	10/9/2003	0%
541	270380041	63	TR 29386-3	PITTMAN M	$344,000	8/24/2003	15%
542	270380042	64	TR 29386-3	ONA MARCIANO	$374,500	8/5/2003	14%
543	270380043	65	TR 29386-3	ZARBAF MOHAMMAD R	$387,000	8/8/2003	13%
544	270380044	66	TR 29386-3	BORDWER BRUCE & CHRISTINE	$337,000	8/8/2003	15%
545	270380045	67	TR 29386-3	PRIETO ED	$374,500	8/8/2003	14%
546	270380046	68	TR 29386-3	CHRISTENSEN	$353,000	8/12/2003	15%
547	270380047	69	TR 29386-3	ANTE MARIANITO & JESUSA J	$373,500	8/13/2003	14%
548	270380048	70	TR 29386-3	HERGENRATN	$348,000	8/14/2003	15%
549	270380049	71	TR 29386-3	ADCOCK G	$374,000	8/15/2003	14%
550	270380050	72	TR 29386-3	HORVATH JASON & JENNIFER	$380,500	8/16/2003	14%
551	270380051	73	TR 29386-3	McCALLISTER	$361,000	8/20/2003	14%
552	270380052	74	TR 29386-3	EBERT PHILL	$354,500	8/26/2003	15%
553	270380053	75	TR 29386-3	ENRIQUEZ JESS A & MARISSA	$382,500	8/22/2003	14%
554	270380054	76	TR 29386-3	HERRERA ANTONIO & CARMEN	$379,500	8/24/2003	14%
					$206,607,202		

SECTION III – REPORTING OF ASSESSED VALUE

This section reports the Assessed Value for existing homeowners as shown on the 2003/2004 Riverside County Assessor's Roll. Following is a detailed listing of these parcels. The values reported are considered a minimum market value.

ID	Asmt	Lot	Tract No.	Ownership	Total Assessed Value
	270210001	1	TR 28872	MARIN GABINO	$253,276
2	270210002	2	TR 28872	SABA PAUL J	$244,226
3	270210003	3	TR 28872	HENSON ERIK R	$241,778
4	270210005	5	TR 28872	GOMEZ JOSE MANUEL	$258,608
5	270210006	6	TR 28872	NICHT TORSTEN	$245,626
6	270210007	7	TR 28872	MONGE RIGOBERTO	$251,950
7	270210008	8	TR 28872	CROWTHER RICHARD G	$256,160
8	270210009	9	TR 28872	PANTOJA BERNARD S	$267,454
9	270210011	11	TR 28872	NORTON JESSIE E	$256,224
10	270210012	12	TR 28872	COOK RANDAL G	$243,716
11	270210013	13	TR 28872	LAFAVE WYLAND	$255,854
12	270210014	14	TR 28872	GARCIA AGUSTIN	$243,716
13	270210015	15	TR 28872	MARQUEZ ROBERT R	$235,556
14	270210016	16	TR 28872	LOU BRIAN G	$247,860
15	270210017	17	TR 28872	SMEDLEY GERRY L	$255,418
16	270210018	18	TR 28872	MANY SUBRA	$245,310
17	270210019	19	TR 28872	SCHOUTEREN TONY	$232,468
18	270210020	20	TR 28872	BERRY THOMAS R	$238,680
19	270210021	21	TR 28872	JANSEN JOHN P	$235,120
20	270210023	53	TR 28872	SIERK RUTH ANN	$262,484
21	270210024	54	TR 28872	DINELLI DAVID	$258,200
22	270210025	55	TR 28872	FRAZIER RICKY D	$254,528
23	270210026	56	TR 28872	WRIGHT MARIA DE	$291,962
24	270210028	58	TR 28872	RODRIGUEZ ANGEL M	$261,002
25	270210030	60	TR 28872	LAWRENCE ADAM H	$234,128
26	270210031	61	TR 28872	HELLIAR ROBERT J	$240,135
27	270210032	67	TR 28872	YOSHIDA ROBERT Y	$238,771
28	270210033	68	TR 28872	RICHARDSON KAREN E	$289,500
29	270210034	69	TR 28872	ANGLE ERIK	$234,580
30	270210035	70	TR 28872	*SILVA MARIA (Gift 1/03)	$245,505
31	270210036	71	TR 28872	WHITTON TIM	$240,303
32	270210037	72	TR 28872	BRANDOW DARREN E	$259,134
33	270210038	73	TR 28872	MCFANN JAMES R	$262,983
34	270210039	74	TR 28872	ALANIS DONALD	$264,024
35	270210040	75	TR 28872	PATTERSON JULIUS R	$263,221
36	270210041	76	TR 28872	*WILLIAMS ROBERT R	$215,229
37	270210042	77	TR 28872	MARTINEZ AARON R	$248,730
38	270210043	78	TR 28872	KOEHMSTEDT BERNARD S	$232,190
39	270210044	79	TR 28872	AVALOS SALVADOR	$257,769
40	270210045	80	TR 28872	WELLS DOUGLAS R	$258,774
41	270210047	82	TR 28872	CASTRO JOHN M	$251,124
42	270210048	83	TR 28872	REYES ALFONSO C	$241,268
43	270210049	84	TR 28872	ADAMS JOHN W	$253,684
44	270210050	85	TR 28872	PREUSS MICHELLE L	$231,170
45	270210054	89	TR 28872	SCHMIT JAMES M	$252,475
46	270210055	90	TR 28872	KELLY DANIEL CHARLES	$218,870
47	270210056	91	TR 28872	PHAM NGOC ANH	$262,805
48	270210057	96	TR 28872	SOSA CARLOS R	$221,055

49	270220001	11	TR 28875	KING BRIAN	$316,211
50	270220002	12	TR 28875	MOORE EDWARD S	$305,357
51	270220003	13	TR 28875	*PICKETT MICHAEL	$330,951
52	270220004	14	TR 28875	*THOMAS BRETT	$321,300
53	270220005	15	TR 28875	KIRK BILL R	$333,448
54	270220006	16	TR 28875	TRULL CHRISTIAN	$311,362
55	270220007	17	TR 28875	ALSMAN MICHAEL	$290,904
56	270220008	18	TR 28875	NGUYEN THEIN	$269,420
57	270220009	19	TR 28875	DENNEY DENYS	$302,532
58	270220010	20	TR 28875	GRUNEWALD MARK S	$301,686
59	270220011	21	TR 28875	MCGAUGHRAN MICHAEL P	$284,210
60	270220012	22	TR 28875	PORTER CATHY	$287,046
61	270220013	23	TR 28875	NAMAN PHILLIP A	$277,445
62	270220014	24	TR 28875	DEAVILA RICH C	$287,849
63	270220015	25	TR 28875	LE DUY	$309,801
64	270220016	26	TR 28875	BEST STODDARD L	$270,058
65	270220017	27	TR 28875	*MONTE BRANDON	$315,033
66	270220018	28	TR 28875	RITTER TINA M	$282,694
67	270220019	29	TR 28875	HARVEY DAVID PAUL	$302,206
68	270220021	49	TR 28875	WACHALA MICHAEL A	$318,541
69	270220022	50	TR 28875	JONES LARRY	$329,470
70	270220023	51	TR 28875	SVENDSEN MICHAEL T	$281,520
71	270220024	52	TR 28875	ANDERSON ARNOLD G	$284,580
72	270220025	53	TR 28875	WARD DARYLE	$285,600
73	270220026	54	TR 28875	LAURENT JONATHAN	$301,040
74	270220027	55	TR 28875	ENRIQUEZ DINO D	$294,780
75	270220028	56	TR 28875	MORGAN JOHN J	$292,778
76	270220029	57	TR 28875	LA KHUONG	$290,914
77	270220030	58	TR 28875	DOMINGO JEFFERY A	$267,176
78	270220031	59	TR 28875	THOMPSON LAWSTON	$328,376
79	270220032	60	TR 28875	GARTH MARK	$301,448
80	270220033	61	TR 28875	MISA MARVIN L	$353,000
81	270220034	62	TR 28875	HAMILTON ROGER	$330,348
82	270220035	77	TR 28875	SIGSBEE GREG	$298,898
83	270220036	78	TR 28875	WILLIAMS BARRY	$328,524
84	270220037	79	TR 28875	SCHNEIDER JAY S	$263,198
85	270220038	80	TR 28875	MACKINNEY KIMBERLY	$293,288
86	270220039	81	TR 28875	SANCHEZ JOSE	$302,124
87	270220040	82	TR 28875	OLIVAS CARLOS	$272,888
88	270220042	84	TR 28875	HILL RONALD M	$292,128
89	270220043	85	TR 28875	MARTINEZ AMANDA M	$313,076
90	270220044	86	TR 28875	EDWARDS C DAVID	$267,584
91	270220045	87	TR 28875	MARSHALL JOHN F	$337,620
92	270220046	88	TR 28875	MCCULLEN AVILE E	$288,356
93	270220047	89	TR 28875	*SCHEIN STEVEN	$342,350
94	270220048	90	TR 28875	HEALY BRIAN JAY	$307,530
95	270220049	91	TR 28875	STARK JEFFERY	$285,336
96	270230001	1	TR 28875	FORD KENNETH	$313,252
97	270230002	2	TR 28875	CHUNESTUDY WILLIAM	$298,666
98	270230003	3	TR 28875	GARCIA ANTHONY	$302,100
99	270230004	4	TR 28875	DABNEY KEN	$296,960
100	270230005	5	TR 28875	MARTIN RICHARD S	$396,913
101	270230006	6	TR 28875	MORAN LARRY D	$313,226
102	270230007	7	TR 28875	HEPPENSTALL GRAEME	$341,840
103	270230008	8	TR 28875	*KOESTER TRUST	$295,708
104	270230009	9	TR 28875	MICKELSON JOHN B	$303,357
105	270230010	10	TR 28875	NGUYEN DUNG	$296,380
106	270230011	31	TR 28875	HUYCK TIMOTHY S	$286,250
107	270230012	32	TR 28875	MIGUEL JOSEPH F	$301,142
108	270230013	33	TR 28875	SAYEGH MARIA R	$295,200
109	270230014	34	TR 28875	SOUSA SHAWN	$305,100
110	270230015	35	TR 28875	SULLIVAN GLEN	$341,000
111	270230016	36	TR 28875	COCHRAN CHRISTOPHER R	$427,000
112	270230017	37	TR 28875	PATEL KETAN	$411,000
113	270230018	38	TR 28875	WOODRUFF SHAWN	$316,400
114	270230019	39	TR 28875	AFRAND MOHAMMAD F	$285,332

115	270230020	40	TR 28875	BROOKS GERARD K	$302,532
116	270230021	41	TR 28875	BRASS JOHN M	$284,789
117	270230022	42	TR 28875	DANG LINDA	$319,400
118	270230023	43	TR 28875	BAUTISTA SHARON K	$305,630
119	270230024	44	TR 28875	BIRT STEPHEN	$303,488
120	270230025	45	TR 28875	GARI RANDOL L	$300,900
121	270230026	46	TR 28875	LEE OTTO	$321,587
122	270230027	47	TR 28875	MARR MITCHELL D	$293,352
123	270230028	48	TR 28875	AUSTIN JIMMY	$365,818
124	270230029	63	TR 28875	AARONS SCOTT	$321,899
125	270230030	64	TR 28875	GAMA CYNTHIA	$297,952
126	270230031	65	TR 28875	COCHRAN KEVIN	$414,160
127	270230032	66	TR 28875	VILLA RAYMOND JOE	$305,952
128	270230033	67	TR 28875	HERMANO RAUL M	$316,281
129	270230034	68	TR 28875	GALLIGAN MARK	$364,150
130	270230035	69	TR 28875	BEGLAU ROBERT C	$289,208
131	270230036	70	TR 28875	HECKROTH KURT	$305,732
132	270230037	71	TR 28875	SCHULTZ JAMES F	$321,708
133	270230038	72	TR 28875	DERIQUITO ERWIN C	$310,090
134	270230039	73	TR 28875	EDMOND REGINALD K	$321,198
135	270230040	74	TR 28875	LE CHINH	$291,220
136	270230041	75	TR 28875	PARK SUZY	$298,350
137	270230042	76	TR 28875	SALAS RAFAEL	$362,036
138	270230045	1	TR 29282	HALL WILLIAM A	$306,356
139	270230046	2	TR 29282	LEE RENEE	$298,340
140	270230047	3	TR 29282	SHYU YANSYI JESSICA	$340,488
141	270230048	4	TR 29282	LOEFFLER WALTER TODD	$289,457
142	270230049	5	TR 29282	SAKLA GAMIL	$324,815
143	270230050	6	TR 29282	PORTILLO DOUGLAS	$301,314
144	270230051	7	TR 29282	NOLAN TIMOTHY	$343,549
145	270230052	8	TR 29282	VANSLYKE ROLAND V	$323,564
146	270230053	9	TR 29282	PHAN LIEU HUY	$290,216
147	270230054	10	TR 29282	MARAS TOMMY T	$313,571
148	270230055	11	TR 29282	CRAM ROGER	$345,068
149	270230056	12	TR 29282	*COBURN HENRY	$329,630
150	270230057	13	TR 29282	*CAMERINO FERDIE (617172 10/30/02)	$309,900
151	270230059	15	TR 29282	HARRIS WAYNE	$338,597
152	270230060	16	TR 29282	PHAKHAM KHAMCHAY	$299,385
153	270230062	18	TR 29282	JACKSON JOHN	$315,575
154	270230063	19	TR 29282	ROBERTS EDWIN	$279,000
155	270230064	20	TR 29282	LANTZ LEIGH M	$295,310
156	270230065	21	TR 29282	BARNES JOHN S	$311,075
157	270230066	22	TR 29282	EVERHART KENNETH	$320,653
158	270230067	23	TR 29282	WALLACE PATRICK L	$309,174
159	270230068	24	TR 29282	SARNA BOB	$309,905
160	270240001	22	TR 28872	NIKOLIC ZIVORAD	$224,030
161	270240002	23	TR 28872	CAMMILLERI CHAD	$358,020
162	270240005	26	TR 28872	KANG YOUNG	$249,298
163	270240006	27	TR 28872	WILLIAMS PAGEN	$246,748
164	270240007	28	TR 28872	OWEN TOM W	$264,218
165	270240008	29	TR 28872	DAVENPORT BENNIE	$233,108
166	270240009	30	TR 28872	CHAVEZ WALTER E	$232,774
167	270240011	32	TR 28872	SKURTOVICH JAMEY	$230,150
168	270240014	35	TR 28872	VICKERS RICHARD D	$243,112
169	270240015	36	TR 28872	HENDERSON GEORGE M	$267,694
170	270240018	39	TR 28872	RUDD STEVE	$284,210
171	270240019	40	TR 28872	HENRY GAYLE	$260,100
172	270240020	41	TR 28872	ALEGRE STEPHAN	$322,000
173	270240021	42	TR 28872	MITCHELL BRANT D	$261,144
174	270240022	43	TR 28872	BORZA JAMES R	$234,090
175	270240023	44	TR 28872	BUCK SEAN	$237,772
176	270240024	45	TR 28872	GONZALES MARK A	$259,220
177	270240025	46	TR 28872	DECKER RANDALL C	$244,532
178	270240026	47	TR 28872	*MCKELLIPS CHARLES	$270,797
179	270240027	48	TR 28872	PAINTER GAREY L	$277,042

180	270240029	50	TR 28872	CURTISS MICHAEL M	$245,450
181	270240030	51	TR 28872	BOYK LOUIS G	$293,760
182	270240031	62	TR 28872	GIMPLE JAE KIMBERLY	$243,920
183	270240032	63	TR 28872	IBRAHIM AHMED	$244,430
184	270240033	64	TR 28872	MOORE DONALD E	$267,852
185	270240034	65	TR 28872	RODRIGUEZ JOHN	$276,458
186	270240035	66	TR 28872	STALEY WILLIAM C	$239,574
187	270240036	92	TR 28872	KELLNER KEN	$237,808
188	270240037	93	TR 28872	MACWAN NILESHKUMAR I	$242,175
189	270240038	94	TR 28872	ROSSI ATTILIO	$243,349
190	270240039	95	TR 28872	OGAWA STEPHEN T	$243,840
191	270240040	108	TR 28872	BETTS QUINT A	$243,661
192	270240041	109	TR 28872	KHAN BAXTER N	$248,863
193	270240042	110	TR 28872	RIZON ROBERT A	$243,453
194	270240043	111	TR 28872	HERNANDEZ ALBERTO	$239,500
195	270240044	112	TR 28872	KENNEDY MARK B	$229,482
196	270240045	113	TR 28872	HRDLICKA ROBERT E	$263,117
197	270240047	115	TR 28872	MURANSKI MARIA	$270,000
198	270240049	117	TR 28872	JEREZ MAYRA Y	$245,192
199	270240050	118	TR 28872	COSBY MICHELLE L	$234,476
200	270240051	119	TR 28872	SHEROW JAMES D	$238,373
201	270240052	120	TR 28872	BETANCOURT RAMIRO	$263,874
202	270240054	122	TR 28872	PITTS JEFFREY E	$273,296
203	270240055	123	TR 28872	RYU SUNG KEUN	$243,614
204	270240056	124	TR 28872	WAHNSCHAFFE DONALD A	$246,266
205	270240057	125	TR 28872	EDGCOMBE CHRISTINE LAURA	$224,642
206	270240058	126	TR 28872	FOUNTAIN PAUL S	$241,444
207	270240059	127	TR 28872	FELIPE ALBERTO R	$261,158
208	270240060	128	TR 28872	PINEDA ROSY	$242,158
209	270240061	129	TR 28872	PETERSON ROBBIE CLARA	$240,758
210	270240062	130	TR 28872	ROPELE MARK R	$269,790
211	270240063	131	TR 28872	ELLENA JOHN J	$252,590
212	270240064	132	TR 28872	OINAS ROBERT K	$248,000
213	270240065	133	TR 28872	CESARIO ROBERT	$268,464
214	270240066	134	TR 28872	BOWLES JESSE C	$273,092
215	270240067	135	TR 28872	JACOBSON LARRY D	$272,378
216	270240068	136	TR 28872	GOSSARD DIANA D	$229,946
217	270270001	1	TR 28917	BIERLEIN MELANIE C	$593,640
218	270270002	2	TR 28917	NGUYEN HOANG CAO	$489,500
219	270270003	3	TR 28917	ELATAR WAEL H	$505,920
220	270280001	1	TR 28898	AQUINO ALFIO M	$468,282
221	270280002	2	TR 28898	AMIR S MAHMOOD	$452,000
222	270280016	16	TR 28898	HEIJKOOP SHERRY F	$360,200
223	270280017	17	TR 28898	MARTIN JOHN H	$323,888
224	270280018	18	TR 28898	MCCOY IRENE E	$353,060
225	270280019	19	TR 28898	TOWNING JOHN W	$458,630
226	270280020	20	TR 28898	ODOM JAMES M	$401,204
227	270280021	21	TR 28898	KVOCKA MIKE T	$361,118
228	270280022	22	TR 28898	HALL ANDREW D	$365,300
229	270290014	36	TR 28898	*ROSE RICHARD	$415,140
230	270290015	37	TR 28898	BENSON DUANE	$329,600
231	270290016	38	TR 28898	SMILEY CURTIS L	$461,550
232	270290017	39	TR 28898	LECLAIRE TIMOTHY R	$353,978
233	270290018	40	TR 28898	RICHARDSON ELMER	$401,778
234	270290019	41	TR 28898	*PATRICK BRANDON	$427,380
235	270300001	1	TR 28897	GOMEZ LETICIA	$401,000
236	270300002	2	TR 28897	TORRES SAMUEL C	$490,000
237	270300003	3	TR 28897	*TEYSKO KENNETH	$449,000
238	270300004	4	TR 28897	STEELE DONALD E	$443,700
239	270300006	6	TR 28897	DUNN JAMES E	$503,000
240	270300007	7	TR 28897	SULLIVAN STEVEN L	$529,798
241	270300008	8	TR 28897	*DEWITT MICHAEL	$468,320
242	270310012	12	TR 28878	SMITH SHIRLEY ANN	$277,580
243	270310013	13	TR 28878	KIM HENRY Y	$286,500
244	270310014	14	TR 28878	GASS ROGER W	$282,170
245	270320001	15	TR 28878	PERCHES SAUL H	$309,301

246	270320003	17	TR 28878	*BENGGON JENUS	$293.148
247	270320004	18	TR 28878	ZIEBOWICZ PAUL M	$292,900
248	270320006	20	TR 28878	KHOURY GHATTAS	$271,830
249	270320007	58	TR 28878	*ARZAGA SANTOS	$283,167
250	270320008	59	TR 28878	OGAS APOLONIO	$235,760
251	270320009	60	TR 28878	FLETCHER JOHN A	$298,671
252	270320011	62	TR 28878	SERINA ENNA ROA	$303,900
253	270320013	64	TR 28878	*TRAUGER JOHN	$321,900
254	270320014	65	TR 28878	PUMA ANGELO	$316,748
255	270320015	66	TR 28878	SHECKLEN RONALD W	$324,500
256	270320022	73	TR 28878	CARLIN LARRY A	$236,066
257	270320023	74	TR 28878	WASHINGTON DIMITRI IRN	$290,167
258	270320024	75	TR 28878	HARVEY CARL O	$237,287
259	270320025	76	TR 28878	STEELE GREGORY D	$356,732
260	270320026	77	TR 28878	SIMS ALLAN W	$260,852
261	270320027	78	TR 28878	*QUALLEY MILTON	$343,332
262	270320028	79	TR 28878	NISBET IRENE A ROBB	$232,187
263	270320029	80	TR 28878	BOEHM HENRY H	$287,844
264	270320030	81	TR 28878	*GARNER KRYSTI	$257,050
265	270320031	82	TR 28878	LINCOLN RONALD K	$257,690
266	270320033	84	TR 28878	GARCES ART	$260,036
267	270320034	85	TR 28878	HABIGER WALTER JOHN	$282,744
268	270320035	86	TR 28878	*OGAS ROLAND	$270,950
269	270320047	49	TR 28878	PRAMANA KENNETH	$283,366
270	270320049	51	TR 28878	MALKUS ANDREW D	$269,800
271	270320050	52	TR 28878	JOHNSON HORACE E	$283,152
272	270320051	53	TR 28878	HERNANDEZ MANUEL	$280,194
273	270320052	54	TR 28878	HEIDARI ALIREZA	$251,060
274	270320053	55	TR 28878	MCCRACKEN JAMES A	$314,721
275	270320054	56	TR 28878	KNORR CHARLES B	$297,980
276	270320055	57	TR 28878	SHADDOX KENNETH F (177607 4/26/01)	$279,320
277	270320056	21	TR 28878	THOMPSON DAVID P	$287,300
278	270320057	22	TR 28878	LE ERIC	$258,608
279	270320058	23	TR 28878	STINE ZOE L	$273,500
280	270320059	24	TR 28878	BEASLEY ALICE	$298,100
281	270320060	25	TR 28878	CRAVEY JOHN	$249,196
282	270320061	26	TR 28878	MEYER WILLIAM THOMAS	$279,898
283	270320062	27	TR 28878	ROGERS ANDREW S	$294,576
284	270320063	28	TR 28878	BALDWIN NINA	$260,518
285	270320064	29	TR 28878	BLOCK JOEL H	$339,456
286	270330001	1	TR 28874	HERNANDEZ STEPHANIE D	$333,170
287	270330002	2	TR 28874	HAWKINS TODD D	$326,910
288	270330003	3	TR 28874	BRUNSON ROBERT C	$306,300
289	270330004	4	TR 28874	BUCKLEY PETER V	$258,083
290	270330005	5	TR 28874	ODA BRYAN T	$289,000
291	270330006	6	TR 28874	PAULI GREGORY S	$264,598
292	270330007	7	TR 28874	TRIA PATRICK A	$293,974
293	270330008	8	TR 28874	KUZAS GARY J	$235,760
294	270330009	9	TR 28874	*CARRILLO JESSICA (154694 3/27/02)	$263,810
295	270330010	10	TR 28874	CUNANAN ED	$278,980
296	270330011	11	TR 28874	REYNOLDS PETER	$310,424
297	270330012	12	TR 28874	LAM NOE J	$282,170
298	270330013	13	TR 28874	COLE KERRY L	$280,000
299	270330014	14	TR 28874	SANINO RUTH M (248619 5/10/02)	$251,468
300	270330015	15	TR 28874	CHON MIKE BOK	$297,136
301	270330016	16	TR 28874	WHITE FREDERICK M	$272,952
302	270330017	17	TR 28874	BOCK CHESTER W	$243,780
303	270330018	18	TR 28874	GAUDIO JEFFREY M	$282,540
304	270330019	19	TR 28874	*SKAGGS WILLIAM (359334 6/28/02)	$252,359
305	270330020	20	TR 28874	CASAS CARLOS	$271,780
306	270330022	22	TR 28874	DELOSRIOS LUCY	$260,110
307	270330023	23	TR 28874	ACOSTA ALEX L	$280,576

308	270330024	24	TR 28874	LUONG HA VAN	$282,234
309	270330025	25	TR 28874	RAMOS DOMINADOR S	$302,430
310	270330026	26	TR 28874	DUNCAN JEREMY	$257,662
311	270330027	27	TR 28874	VU HAI MINH	$289,384
312	270330028	44	TR 28874	LOPEZ MARTIN	$260,000
313	270330029	45	TR 28874	BARNES TONYA E	$270,000
314	270330030	46	TR 28874	SCHNORR MICHAEL W	$301,349
315	270330031	47	TR 28874	MULSTAY JOHN R	$263,150
316	270330032	48	TR 28874	OTJEN JERRY E	$286,000
317	270330033	49	TR 28874	MIKHAIL MICHAEL T	$254,442
318	270330034	50	TR 28874	SPICER JANIE M	$273,194
319	270330035	51	TR 28874	BURGOS PAULA J	$257,566
320	270330036	52	TR 28874	RASPUDIC JOHN JOSEPH	$302,306
321	270330037	53	TR 28874	*GOMEZ ALEJANDO	$273,360
322	270330038	54	TR 28874	AMAYA JOSE	$281,020
323	270330039	55	TR 28874	MUKORA GEORGE N	$287,844
324	270330040	56	TR 28874	SINGH HARBANS K	$235,760
325	270330041	57	TR 28874	HOLLAND ROBERT BERRY	$325,380
326	270330042	58	TR 28874	VOLLER WILLIAM J	$288,762
327	270340001	28	TR 28874	QUITASOL ZOILO	$288,500
328	270340002	29	TR 28874	TRONCOSO JOHN	$258,400
329	270340003	30	TR 28874	JIMENEZ ROBERTO	$284,681
330	270340004	31	TR 28874	BIRO KRISTINA R	$235,000
331	270340005	32	TR 28874	BASKHAROON MAGDY	$265,500
332	270340006	33	TR 28874	DING DENIS	$290,909
333	270340007	34	TR 28874	HICKS RONALD B	$263,200
334	270340008	35	TR 28874	DEAN DELESANDRO P	$269,600
335	270340009	36	TR 28874	KUZMENKO PETRO	$256,000
336	270340010	37	TR 28874	ROJAS FRANK E	$284,654
337	270340011	38	TR 28874	*JOHNSON KEVIN	$300,992
338	270340012	39	TR 28874	BOLANOS MARCOS M	$260,000
339	270340013	40	TR 28874	MCDONALD CHARLES S	$316,500
340	270340014	41	TR 28874	VALADEZ RUDOLPH	$264,290
341	270340015	42	TR 28874	RAMIREZ JULIO A	$283,990
342	270340016	43	TR 28874	JAMBON MASON R	$314,000
343	270340017	59	TR 28874	CLAYTON ANDREW J	$283,292
344	270340018	60	TR 28874	*MATRANGA GERALD`	$255,306
345	270340019	61	TR 28874	DAMANI RAKESH	$272,000
346	270340020	62	TR 28874	LO LOUISE	$245,390
347	270340021	63	TR 28874	HERNANDEZ MIGDALIA	$293,900
348	270340022	64	TR 28874	SWEISS JAMIL S	$274,100
349	270340023	65	TR 28874	HALL JAMES P	$271,460
350	270340025	67	TR 28874	*ZENAROSA ODNALOR	$268,984
351	270340026	68	TR 28874	VALENZUELA LAZARO J	$269,290
352	270340027	69	TR 28874	HILLER MICHAEL JAMES	$297,748
353	270340028	70	TR 28874	ADAIR JAMES K	$265,153
354	270340029	71	TR 28874	SLEDGE DAVID H	$286,110
355	270340030	72	TR 28874	PUENTE JEUDIEL ROBERT	$283,570
356	270340031	73	TR 28874	LANCE SEAN ERIK	$244,300
357	270340032	74	TR 28874	JAIME KARINA (6002 1/4/02)	$269,626
358	270340033	75	TR 28874	*BEAL STEVEN	$309,060
359	270340035	77	TR 28874	LEE ANTHONY D	$271,097
360	270340036	78	TR 28874	MAGNO GODOFREDO C	$303,052
361	270340037	79	TR 28874	BRYAN RICHARD E	$244,810
362	270340038	80	TR 28874	VERMA SATCHANDI N	$270,570
363	270340039	81	TR 28874	KEEN ERIC A	$306,650
364	270340041	83	TR 28874	ISAAC ERIC VINCENT	$292,240
365	270340042	84	TR 28874	HAMILTON JOE W	$271,460
366	270340043	85	TR 28874	BOETTCHER DARNELL	$238,680
367	270350003	3	TR 28873	*SURJANI DARWIN	$259,635
368	270350009	9	TR 28873	MINTEN LYLE S	$268,500
369	270350010	10	TR 28873	MELONI DAVID A	$309,200
370	270350012	12	TR 28873	ARELLANO SAUL E	$262,090
371	270350013	13	TR 28873	WHEELER JULIE J	$239,649
372	270350014	14	TR 28873	BERGMAN RUSSELL A	$286,041
373	270350015	15	TR 28873	SKALICKY TODD	$281,200

374	270350016	16	TR 28873	MUSSER RANDY	$236,551
375	270350017	17	TR 28873	DUQUETTE GENE P	$263,313
376	270350018	18	TR 28873	POPPA DANIEL H	$277,400
377	270350019	19	TR 28873	BOXOLD BARBARA W	$257,321
378	270350020	20	TR 28873	KELLY KAREN R	$284,684
379	270350021	21	TR 28873	ROBINSON DAVID P	$281,500
380	270350022	22	TR 28873	LEAL LUDY	$266,667
381	270350024	24	TR 28873	EISENHAUER LARRY D	$252,000
382	270350025	25	TR 28873	ORDUNO PABLO R	$263,500
383	270350026	26	TR 28873	HAN CHANG S	$257,800
384	270350027	27	TR 28873	GOLDEN JOSEPH E	$273,000
385	270350028	28	TR 28873	LESLIE GERALD L	$244,100
386	270350029	29	TR 28873	KIMURA JARROD A	$258,600
387	270350030	30	TR 28873	REGALADO FRANCISCO J	$256,100
388	270350031	31	TR 28873	NAVAR STEPHEN A	$258,500
389	270350032	32	TR 28873	BOOKER RODRIGUEZ D	$279,400
390	270350033	33	TR 28873	HAMILTON DEREK J	$268,341
391	270350034	34	TR 28873	GAMEZ JOSE L	$282,100
392	270350035	35	TR 28873	AYALA VICENTE A	$254,700
393	270350036	36	TR 28873	OSBRINK JONATHAN E	$236,600
394	270350037	37	TR 28873	POOLE LLOYD	$245,800
395	270350038	38	TR 28873	TRINIDAD MAFE W T	$265,700
396	270350039	39	TR 28873	BAGSIC RORY C	$268,700
397	270350040	40	TR 28873	DELEON SHEILA MARIE	$258,900
398	270350041	41	TR 28873	BRILL PETER	$244,300
399	270350042	42	TR 28873	NAVARRO KEVIN C	$251,500
400	270350043	43	TR 28873	ZAID DAVID M	$274,800
401	270350044	44	TR 28873	WILDER AARON K	$243,585
402	270350045	45	TR 28873	MANCHESTER JEFFREY W	$282,200
403	270350046	46	TR 28873	SHAKER NAREN M	$257,300
404	270350047	47	TR 28873	GUERRERO ENRIQUE	$267,300
405	270350048	48	TR 28873	KELLY BRIAN A	$275,000
406	270350050	50	TR 28873	CHEUNG MICHAEL S	$270,700
407	270350051	51	TR 28873	PARKER MARK D	$258,970
408	270350053	53	TR 28873	GONZALEZ MICHAEL	$244,221
409	270350054	54	TR 28873	BONALES ALEX	$246,107
410	270350055	55	TR 28873	*REEDUS NADINE	$259,700
411	270350057	57	TR 28873	ARENDAL KARL	$318,000
					$118,553,854

MARKETING AND EXPOSURE TIME

It is our estimation that both the exposure time and the marketing time for the subject property, if on the market today are at our concluded value, are less than 12 months.

APPRAISAL REPORT SUMMARY

This appraisal assignment was to estimate the fair market value of the subject property taking into consideration the improvements/benefits which accrue to the property as a result of Community Facilities District No. 7 (Victoria Grove), Series A, 2002 Series A and 2004 Series A, of Riverside Unified School District.

The subject property includes 1,021 single family detached lots located within the master-planned community known as Victoria Grove, which is located in unincorporated Riverside County. Individuals have closed escrow on 965 of the homes with the last 56 owned by Hearthside Homes, Inc and consisting of three model homes and 53 finished lots.

We have valued the subject property in three sections. Section I includes the valuation for the merchant builder owned property (or the 3 model homes and the 53 finished lots). The Sales Comparison Approach was used to conclude on a finished lot value while a Discounted Cash Flow Analysis was used for the model homes due to the single ownership. Section II refers to the Gap Properties which are individually owned properties that have an assessed value of less than 90 percent of the sales price per the 2003/2004 Riverside County Assessor's Roll. For these properties we have reported the sales price. Section III is a reporting of the assessed values for the properties that are reported as fully improved on the 2003/2004 Riverside County Assessor's Roll. The valuation take into account the special tax lien for all series of bonds to be secured by CFD No. 7 Special Tax Bonds. The concluded values for the subject property, subject to the special tax lien of CFD No. 7 (all series) are:

Section I	**$ 11,490,000**
Section II	**206,607,202**
Section III	**118,553,854**
Aggregate Value	**$ 336,651,056**

The above values are stated subject to the Special Assumptions, Limiting Conditions and Appraiser's Certification as of the 1st day of July 2004.

APPRAISER'S CERTIFICATION

We certify, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.

3. We have no present or prospective interest in the property that is the subject of this report and we have no personal interest or bias with respect to the parties involved.

4. Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

5. This appraisal was not based on a requested minimum valuation, a specific valuation, or the approval of any specified amount.

6. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal practice.

7. We have made a personal inspection of the property that is the subject of this report.

8. No one provided significant professional assistance to the persons signing this report.

9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

11. As of the date of this report, Bruce W. Hull and Kitty S. Siino, have completed the requirements of the continuing education program of the Appraisal Institute.

Bruce W. Hull, MAI	Kitty S. Siino, MAI
State Certified General	State Certified General
Real Estate Appraiser (AG004964)	Real Estate Appraiser (AG004793)

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ADDENDA

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IMPROVED RESIDENTIAL SALES SUMMARY CHART

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IMPROVED RESIDENTIAL SALES SUMMARY CHART

Data No.	Project Name Location/Developer	Plan	Room Count	Size (SF)	Floors/ Parking	Lot Size/ No. Lots	Sales Price	Price/SF
1	Jasper	1		3,428			$540,990	$157.81
	Victoria Grove, Riverside	2		3,603			$560,990	$155.70
	Hearthside Homes	3		3,920			$585,990	$149.48
2	Bridle Creek	1	4/3.5	2,899	1 / 3	1-ac	$551,900	$190.38
	Mockingbird Canyon,	2	5/3.5	3,266	1 / 3	274	$576,900	$176.64
	Riverside	3	5/3.5	3,512	2 / 3		$610,900	$173.95
	William Lyon	4	5/3.5	3,385	1 / 3		$599,900	$177.22
		5	5/3.5	3,701	1 / 3		$630,900	$170.47
		6	6/4.5	4,023	2 / 3		$658,900	$163.78
		7	5/4	3,512	2 / 3		$583,900	$166.26
3	Mockingbird Estates,	1	4/2	2,780	1 / 3	2-ac	$437,500	$157.37
	Mockingbird Canyon,	2	4/3	3,102	2 / 3	216	$463,500	$149.42
	Riverside	3	5/3	3,412	2 / 3		$497,500	$145.81
	Joseph Nicholas Homes							
4	Montecito Estates	1	4/2.5	2,713	1 / 3	7,700 sf	$529,990	$195.35
	Riverwalk, Riverside	2	5/4	3,779	2 / 3	119	$499,990	$132.31
	Griffin	3	6/4	4,083	2 / 3		$539,990	$132.25
5	Emerald Crest	1	4 / 2.5	2,420	1 / 2	8,400 sf /	$495,990	$204.95
	South Corona /	2	5 / 2.5	2,962	2 / 2	116	$537,990	$181.63
	Centex Homes	3	6 / 3	3,314	2 / 3		$584,990	$176.52
		4	6 / 4	3,613	2 / 3		$609,990	$168.83

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APPRAISERS' QUALIFICATIONS

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QUALIFICATIONS OF BRUCE W. HULL, MAI

Business Locations: 1056 E. Meta Street, Suite 202
Ventura, California 93001
(805) 641-3275 * Facsimile (805) 641-3278
E-Mail Address - Bhull86686@aol.com
Direct Correspondence to Ventura Location

115 E. Second Street, Suite 100
Tustin, California 92780
(949) 581-2194 * Facsimile (949) 581-2198

Bruce W. Hull & Associates, Inc. is an appraisal firm that provides a wide variety of appraisal assignments for public agencies, developers and financial institutions.

The principal, Bruce W. Hull, MAI, has been in the appraisal field since graduation in 1969 from Westmont College, Santa Barbara. After being employed by the Ventura County Assessor's Office for five years, he established an appraisal company in Orange County in 1974. In August of 1995 he established an office in Ventura while maintaining an Orange County location. While most of the appraisal assignments are in Southern California, assignments have been completed in areas from San Francisco/Bay Area and Lake Tahoe to San Diego.

The appraisal assignments completed have been diverse in nature, including such property types as large masterplanned developments, shopping centers, large retail uses, and mitigation land. A brief summary of the more challenging assignments is given on the following pages.

MASTERPLANNED DEVELOPMENT

These are typically more than 1,000 acres in size and have a wide variety of residential product, often ranging from condominiums to large estate type of properties. In addition, there is often a commercial use within the development. I have been involved in the following projects.

- Lake Sherwood, Hidden Valley
- Wood Ranch, Simi Valley
- Rancho San Clemente, San Clemente
- Towne Center, Rancho Santa Margarita
- Rancho Trabuco North and South, Rancho Santa Margarita
- Hunters Ridge, Fontana
- The Corona Ranch, Corona
- Mountain Cove, Temescal

Mountain Gate, South Corona
The Foothill Ranch, Corona
Orangecrest, City of Riverside
Aliso Viejo, County of Orange
Talega Valley, City of San Clemente/County of Orange
Otay Ranch, City of Chula Vista

RETAIL USE

Consultant to City of Long Beach regarding a 30 acre site (Long Beach Naval Hospital) which the City was acquiring from the US Navy for inclusion in a 100 acre shopping center site.

Towne Center, Rancho Santa Margarita, is a masterplanned project which contains two shopping centers (Towne Center, 160,000 SF plus a Target Store, 122,000 SF; Plaza Antonio, 165,000 SF).

Mission Grove, City of Riverside, is a 395,362 SF center which included a K-Mart Department Store among the major tenants.

Victoria Gardens Masterplan was a proposed mixed use project consisting of 3,065 acres of land which included a mixture of residential (2,150 acres); commercial (335 acres of which 91.9 acres was a regional center site); schools; parks; and open space for the remainder of the lands.

Menifee Village, Riverside County, is a 1977 acre masterplanned development which had approvals for 5,256 units. The assignment included the valuation of Planning Area 2-7 which was a commercial site that had been developed with a Target Store, Ralph's Market, and in-line stores (190,000 SF with eventually being a 257,000 SF center).

MITIGATION LANDS

These assignments involved valuing lands that are considered mitigation lands which are often acquired by public agencies or nonprofit organizations.

Bolsa Chica, Huntington Beach, a 42-acre site which was part of a larger wetlands conservation program. This particular acreage was unique since it was subject to "tidal flushing" and had both fresh and saltwater impacting the lands. This assignment was completed for Metropolitan Water District.

San Joaquin Marsh, City of Irvine, consisted of approximately 289 acres of wetlands which were acquired for use as a "buffer" zone by the Irvine Ranch Water District.

Eagle Valley, a 1072-acre parcel near Lake Matthews in Riverside County, was acquired by Metropolitan Water District for use as a water treatment plant and buffer zone.

Poormans Reservoir, Moreno Valley, a 38-acre site acquired by the City of Moreno Valley for preservation/open space use.

ASSESSMENT DISTRICTS/BOND ISSUES

Have been involved in the appraisals of the following Bond Issues regarding Community Facilities Districts and/or Assessment Districts. (This represents a partial list of assignments completed from 1990 thru Present.)

CFD No. 9 (Orangecrest - Impr. Areas 1, 3 & 5); City of Riverside
CFD No. 2000-1 (Crosby Estate @ Rancho Santa Fe); Solana Beach
CFD No. 2001-01 (Murrieta Valley U.S.D.);Murrieta
CFD No. 90-1 (Lusk-Highlander); City of Riverside
Otay Ranch SPA I - CFD No. 99-2; City of Chula Vista
CFD No. 7 (Victoria Grove); County of Riverside
CFD No. 10 (Fairfield Ranch); City of Chino Hills
CFD No. 2000-1; Tejon Industrial Complex; Lebec
CFD No. 99-1; Santa Margarita Water District
CFD No. 97-3; City of Chula Vista
CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 89-1; City of Corona
Lake Sherwood A.D. Refunding; County of Ventura
CFD No. 9; City of Chino Hills
CFD NO. 88-12; City of Temecula
CFD No. 90-1 (Refunding); City of Corona
A.D. No. 97-1-R; City of Oxnard
A.D. No. 96-1; Valley Center Municipal Water District; San Diego County
A.D. No. 96-1; City of Oxnard
CFD No. 88-1 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-2 (Saddleback Valley Unified School Dist.); Rancho Santa Margarita
CFD No. 89-3 (Saddleback Valley Unified School Dist); Rancho Santa Margarita
Centex A.D. No. 95-1; City of Corona
Coyote Hills A.D. No. 95-1; City of Fullerton
Sycamore Creek A.D. No. 95-1; City of Orange
Prop. CFD No. 2 (Riverside Unified School District); City of Riverside
CFD No. 91-1; City of Rancho Cucamonga
Prop. CFD No. 2; City of Chino
CFD No. 9; County of San Bernardino
A.D. No. 89-1; City of Corona
CFD No. 87-1 (Series B); City of Moreno Valley
CFD No. 90-1; City of Corona

CFD No. 89-1; (Saddleback Valley Unified School District); Orange County
A.D. No. 96-1; City of Oxnard
A.D. Nos. 86-3, 87-1 and 89-1 (Refunding); City of Oxnard
CFD No. 90-1; City of Corona
CFD No. 1 (Refunding); City of Jurupa
CFD No. 88-12; City of Temecula

PARTIAL LIST OF CLIENTS

Have completed appraisal assignments for a wide variety of clients. A partial list of these includes the following.

Anaheim City Unified School District
Bank of America NT & SA
Bank of Montreal
Bear, Stearns & Co., Inc.
Best Best & Krieger LLP (Law Firm)
Carpinteria Valley Unified School District
Chino Unified School District
Citicorp, N.A.
City of Brea
City of Chino
City of Chino Hills
City of Chula Vista
City of Colton
City of Corona
City of Fullerton
City of Huntington Beach
City of Jurupa
City of Mission Viejo
City of Moreno Valley
City of Orange
City of Oxnard
City of Rancho Cucamonga
City of Riverside
City of San Bernardino
City of San Marcos
City of Temecula
Coast Federal Bank
Colton Joint Unified School District
County of Los Angeles
County of Orange
County of Riverside
County of San Bernardino
County of Ventura

Downey Savings and Loan
Federal National Mortgage Association (FNMA)
Federal Deposit Insurance Corporation (FDIC)
Fieldman, Rolapp & Associates (Financial Consultants)
Irvine Ranch Water District
Irvine Unified School District
Jurupa Community Services District
Metrobank
Metropolitan Water District
Meserve, Mumper & Hughes (Law Firm)
Munger, Tolles & Olson LLP (Law Firm)
Murrieta Valley Unified School District
Rialto Unified School District
Riverside Unified School District
Saddleback Valley Unified School District
Santa Margarita Water District
Sidley & Austin (Law Firm)
Solana Beach Unified School District
Southern California Edison Company
Stone & Youngberg LLC (Bond Underwriters)
Talmantz Aviation
The Irvine Company
Wells Fargo Bank
Wells Fargo Mortgage Company
Weyerhaeuser Mortgage Company

COURT EXPERIENCE

Qualified Expert Witness in the following courts:

United States District Court/Central District of California, Los Angeles
Los Angeles County Superior Court
Orange County Superior Court
Riverside County Superior Court
Ventura County Superior Court

ORGANIZATIONS

Member - Appraisal Institute (No. 6894)

LICENSES

Certified General Real Estate Appraiser (AG004964)
State of California; Expires April 15, 2004
Licensed Real Estate Broker (00821209)
State of California; Expires August 15, 2004

GUEST SPEAKER (for)

UCLA Symposium on Mello Roos Districts - 1988

"Exploring the Rumors & Realities of Land Secured Debt in California" - Conference sponsored by Stone & Youngberg, LLC, bond underwriters, held in Los Angeles on January 15, 1992

"Appraisals for Land Secured Financing" presentation for Stone & Youngberg, LLC, bond underwriters, held at San Francisco Headquarters on March 5, 1998

UCLA Symposium on Mello-Roos Districts - 2001

MISCELLANEOUS

Member Advisory Panel to California Debt Advisory Commission regarding Appraisal Standards for Land Secured Financing (May 1994 and March 2003)

QUALIFICATIONS OF
KAREN S. SIINO, MAI

EDUCATION

Bachelor of Arts in Business Administration, Financial Investments, California State University, Long Beach, California (1980)

Post-graduate Study, Real Estate Development, University of California, Irvine, California

Appraisal Institute Classes: Uniform Standards of Professional Appraisal Practice, A & B; Appraisal Principles; Appraisal Procedures; Basic Income Capitalization; Advanced Income Capitalization; Narrative Report Writing; Advanced Applications, Case Studies. Successfully completed all classes in addition to successfully completing the writing of a Demonstration Report and passing the Comprehensive Exam for the Appraisal Institute. Became a Member of the Appraisal Institute in December, 1996.

EMPLOYMENT

1985 - Present
Associate Appraiser for various MAI's. Duties Include the appraisal of various types of properties such as commercial, retail, industrial and vacant land. Specialty properties include easements, right-of-ways and special assessment districts. From 1985 to 1988 worked part-time; from 2/88 full-time.

1986 - 1988
Project Manager of Development for Ferguson Partners, Irvine, California. Duties included finding land; review of fee appraisals and valuations; analysis of proposed development; planning and design; management of development, construction and lease-up. The types of properties developed were commercial and industrial. Duties ranged from raw, vacant site development through property management of recently developed projects.

1981 - 1986
Manager of Finance, Construction for Community Development Division, The Irvine Company, Irvine, California. Duties included originating and managing a newly formed division of finance to bridge between the accounting functions and project management functions. Worked with analysis and budgets for Community Development Division. Coordinated with

cities in forming new Assessment Districts to finance major infrastructure improvements. Types of properties were apartments and single family residential lots on a for sale basis to apartment and home builders.

1980 - 1981
Investment Counselor, Newport Equity Funds, Newport Beach, California. Duties included obtaining private financing for residential properties and working with appraisals of properties and analyzing the investments.

LICENSES

Real Estate Sales Person, State of California, 1980
Certified General Appraiser, State of California (#AG004793)

ORGANIZATIONS

MAI #11145 - Appraisal Institute

APPENDIX B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE) RIVERSIDE UNIFIED SCHOOL DISTRICT

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels of Taxable Property in Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District ("CFD No. 7") and collected each Fiscal Year, in an amount determined by the Board of Education of the Riverside Unified School District through the application of the appropriate Special Tax for "Developed Property", "Taxable Property Owner Association Property," "Taxable Public Property", and "Undeveloped Property," as described below. All of the real property in CFD No. 7, unless exempted by law or by the provisions hereof, 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 land area of an Assessor's Parcel as shown on the Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 7: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the District, CFD No. 7, or a designee thereof); the costs of collecting the Special Taxes (whether by the District or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the District, CFD No. 7 or any designee thereof of complying with arbitrage rebate requirements; the costs to the District, CFD No. 7 or any designee thereof of complying with District, CFD No. 7 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the District, CFD No. 7 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the District or CFD No. 7 for any other administrative purposes of CFD No. 7, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's Parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel Numbers.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Backup Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Board" means the Board of Education of Riverside Unified School District.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued or incurred by CFD No. 7 under the Act.

"CFD Administrator" means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 7" means Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District.

"County" means the County of Riverside.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, or Taxable Public Property for which a building permit for new construction was issued prior to March 1 of the preceding Fiscal Year.

"District" means Riverside Unified School District.

"Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots. The term "Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create individual lots for which a building permit may be issued, including Assessor's Parcels that are designated as a remainder parcel.

"Final Mapped Property" means Assessor's Parcels of Undeveloped Property or portions of Assessor's Parcels of Undeveloped Property which are located within a Final Map.

"Fiscal Year" means the period starting July 1 and ending on the following June 30.

"Floor Space" refers to Non-Residential Floor Space and Residential Floor Space individually or collectively.

"Indenture" means the indenture, fiscal agent 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 categories listed in Table 1.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Floor Space" means the square footage of a non-residential structure, as shown on or calculated from the appropriate building records of the County Building Department.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential use.

"Outstanding Bonds" means all Bonds which remain outstanding under the terms of the Indenture.

"Parcel Acreage" means that acreage shown on the Assessor's Parcel Map for each Assessor's Parcel. In the event that the Assessor's Parcel Map shows no acreage, the Parcel Acreage for any Assessor's Parcel shall be that shown on the applicable final map, parcel map, lot line adjustment, condominium plan, or other recorded County parcel map.

"**Property Owner Association Property**" means any property within the boundaries of CFD No. 7 owned by or dedicated to a property owner association, including any master or sub-association.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all Assessor's Parcels of Undeveloped Property.

"Public Property" means any property within the boundaries of CFD No. 7 that is used for public rights-of-way or any other public purpose and is owned by or dedicated or irrevocably offered for dedication to the federal government, the State, the County, or any other public agency; provided, however, that any property 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 in accordance with its use.

"Residential Floor Space" means the square footage of a residential dwelling unit, exclusive of garages, as shown on or calculated from the appropriate building records of the County Building Department.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"RMA" means this Rate and Method of Apportionment for CFD No. 7.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 7 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for the Outstanding Bonds and (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year taking into account any available funds as determined by the CFD Administrator.

"Square Feet or Square Footage" means that product derived by multiplying Acre or Acreage by 43,560.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 7 which are not exempt from the Special Tax pursuant to law or Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Undeveloped Property" means all Taxable Property not classified as Developed Property, Taxable Property Owner Association Property or Taxable Public Property.

B. ASSIGNMENT TO TAX CLASS AND LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to the levy of Special Taxes in accordance with the Rate and Method of Apportionment as determined pursuant to Sections C and E below. Each Assessor's Parcel of Developed Property consisting of a single Land Use Category shall be assigned to its appropriate Land Use Category listed in Table 1. Assessor's Parcels of Developed Property containing more than one Land Use Category shall be assigned to the Appropriate Land Use Categories as provided for in Section C.1.d below.

The Assigned Special Tax for Residential Property shall be based on the number of dwelling units located on the Assessor's Parcel and the Residential Floor Space for each dwelling unit.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Category for Fiscal Year 1999-2000 is shown in Table 1 below.

TABLE 1

Assigned Special Taxes for Developed Property
Community Facilities District No. 7
(Fiscal Year 1999-2000)

Land Use Category	**Description**	**Residential Floor Space**	**Assigned Special Tax**
1	Residential Property	More than 3,999 sq. ft.	$2,390 per Dwelling Unit
2	Residential Property	3,700 - 3,999 sq. ft.	$2,204 per Dwelling Unit
3	Residential Property	3,600 – 3,699 sq. ft.	$2,100 per Dwelling Unit
4	Residential Property	3,200 – 3,599 sq. ft.	$1,938 per Dwelling Unit
5	Residential Property	2,900 – 3,199 sq. ft.	$1,744 per Dwelling Unit
6	Residential Property	2,700 – 2,899 sq. ft.	$1,534 per Dwelling Unit
7	Residential Property	2,400 – 2,699 sq. ft.	$1,389 per Dwelling Unit
8	Residential Property	2,200– 2,399 sq. ft.	$1,276 per Dwelling Unit
9	Residential Property	2,000 – 2,199 sq. ft.	$1,211 per Dwelling Unit
10	Residential Property	Less than 2,000 sq. ft.	$1,131 per Dwelling Unit
11	Non-Residential Property	Not Applicable	$7,653 per Parcel Acre

c. Increase in the Assigned Special Tax

The Assigned Special Taxes in Table 1 shall be applicable in Fiscal Year 1999-2000. On each July 1, commencing July 1, 2000 through July 1, 2010, the Assigned Special Tax shall be increased by two percent (2%) of the amount in effect for the previous Fiscal Year.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Categories located on that Assessor's Parcel (i.e., the sum of the product of the building Floor Space or Acreage and the applicable Assigned Special Tax). The Maximum Special Tax that may be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Categories located on that Assessor's Parcel.

In cases where an Assessor's Parcel contains both Residential Property and Non-Residential Property, the land area apportioned to each property type shall be based on the amount of Residential Floor Space and Non-Residential Floor Space located on the Assessor's Parcel.

e. Backup Special Tax

The Backup Special Tax for the Fiscal Year 1999-2000 is $0.1758 per Square Foot of the Assessor's Parcel.

f. Increase in the Backup Special Tax

On each July 1, commencing July 1, 2000 through July 1, 2010, the Backup Special Tax shall be increased by two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be $7,653 per Parcel Acre for Fiscal Year 1999-2000.

b. Increases in the Maximum Special Tax

On each July 1, commencing July 1, 2000 through July 1, 2010, the Maximum Special Tax for Undeveloped Property, Taxable Property Owner Association Property, and Taxable Public Property shall be increased by two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 1999-2000 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax to satisfy the Special Tax Requirement;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property up to the Maximum Special Tax for Taxable Property Owner Association Property and Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 7.

E. EXEMPTIONS

No Special Tax shall be levied on:

- Not more than 71 Acres of Property Owner Association Property (includes private streets, open space, and a park); and

- Not more than 6 acres of Public Property (public streets).

Tax-exempt status for these acres will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property.

Property Owner Association Property or Public Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 7 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

"Defeasance Amount" means the amount resulting from the calculation described in paragraph 10 of Section G.1 below.

"Net Present Value" means the present value of a stream of cashflows necessary to cover any shortfalls in the defeasance of all Outstanding Bonds through the first call date on such bonds, with the shortfalls discounted by the current expected rate of return on invested prepayment proceeds.

"Previously Issued Bonds" means all Bonds that have been issued by CFD No. 7 prior to the date of prepayment.

1. Prepayment in Full

Only the owner of an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may prepay the Special Tax obligation. The Special Tax obligation applicable to such an Assessor's Parcel may be fully prepaid and the obligation of the Assessor's 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 Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide CFD No. 7 with written notice of intent to prepay accompanied by a fee to cover the costs of calculating the prepayment amount. Within thirty (30) days of receipt of such written notice, CFD No. 7 shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than forty-five (45) days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and, if applicable, the Backup Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property, compute the Assigned Special Tax and Backup Special Tax for the Assessor's Parcel as though it has already been designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.

2. (a) Divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel, or for Undeveloped Property, the Assigned Special Tax that would have been levied based upon the building permit issued for such Assessor's Parcel, by the estimated Assigned Special Taxes for the entire CFD No. 7 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through buildout of CFD No. 7, excluding any Assessor's Parcels which have been prepaid, and (b) Divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Special Taxes for the entire CFD No. 7, excluding any Assessor's Parcels which have been prepaid.

3. Multiply the larger quotient computed pursuant to clause (a) or (b) of paragraph 2 by the principal amount of the Outstanding Bonds to compute the principal amount of the Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, for the Outstanding Bonds to be redeemed (the "Redemption Premium").

5. Compute the amounts needed to pay interest on each debt service payment date 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.

6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

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

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

9. For each debt service payment date add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8.

10. Compute the Net Present Value of the amount computed pursuant to paragraph 9, using as a discount rate the rate of return assumed by the CFD Administrator in paragraph 8 (the "Defeasance Amount").

11. Verify the administrative fees and expenses of CFD No. 7, including the costs of computation of the prepayment amount, the costs to invest the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").

12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated as a reduction in the capitalized interest fund, for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Capitalized Interest Credit").

14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 10 and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 10, 12 and 13 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 amount computed pursuant to paragraph 11 shall be retained by CFD No. 7.

The Prepayment Amount may be sufficient to redeem other than a $5,000 increment of Bonds. In such cases, 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 prepayment of 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 step 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax obligation and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on Taxable Property within CFD No. 7 both prior to and after the proposed prepayment is at least 1.1 times the amount of maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property and an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$PP = P_E \, xF.$

These terms have the following meaning:

PP = the partial prepayment
P_E = the Prepayment Amount calculated according to this Section G
F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax obligation.

With respect to Land Use Categories 1 through 10, a partial prepayment of the Special Tax obligation shall be permitted only if all Assessor's Parcels within the same Land Use Category within a Final Map are prepaid uniformly and simultaneously prior to the first closing of a residential dwelling unit. For Assessor's Parcels containing multiple Land Use Categories, partial prepayment must occur uniformly through the Final Map for the Land Use Categories being partially prepaid. The prepayment shall be collected at the close of escrow of each Assessor's Parcel in the Final Map. A prospective seller of the Assessor's Parcels in such Land Use Categories within a Final Map shall notify the CFD Administrator at least ninety (90) days prior to close of the first escrow for a dwelling unit within that Final Map of (i) such prospective seller's intent to partially prepay the Special Tax on all of the Assessor's Parcels within the Final Map, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent. A fee to cover the costs of calculating the partial prepayment amount shall accompany this notification. The owner shall provide instructions to the escrow agent and the CFD Administrator, which instructions shall direct the escrow agent to collect the partial prepayment of the Special Tax as calculated pursuant to this Section G and to remit this amount to the District. The CFD Administrator shall provide the owner and the escrow agent with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of notice of the pending close of an escrow of the first residential dwelling unit in the Final Map. The CFD Administrator will charge a reasonable fee for providing this amount and said fee shall be paid prior to determining the prepayment amount.

With respect to Land Use Category 11, partial prepayment may be made at any time and need not follow Final Maps or apply to all Assessor's Parcels in such category. The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator at any time of (i) such owner's intent to partially prepay the Special Tax and, (ii) the percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within sixty (60) days of the request and will charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the District shall (i) distribute the funds remitted to it by the escrow agent according to the Indenture, and (ii) indicate in the records of CFD No. 7 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to any Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

3. Prepayment of Backup Special Tax

The Backup Special Tax applicable to an Assessor's Parcel may be prepaid in full or in part, and the obligation of such Assessor's Parcel to pay a Backup Special Tax or to pay a Maximum Special Tax based on a Backup Special Tax (as opposed to the Assigned Special Tax), may be satisfied as described herein. A prepayment of Backup Special Tax pursuant to this Section G.3. shall not reduce or discharge the obligation of the Assessor Parcel to pay its Assigned Special Tax.

A Backup Special Tax prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of such prepayment. An owner of an Assessor's Parcel intending to prepay the Backup Special Tax shall provide the District with written notice of intent to prepay accompanied by a fee to cover the costs of computing the prepayment amount. Within sixty (60) days of receipt of such written notice, the District shall notify such owner of the amount necessary to prepay the Backup Special Tax for such Assessor's Parcel. After receipt of such notice, the owner of the Assessor's Parcel may elect to prepay the Backup Special Tax in full or in part using a percentage of its choice or may elect to forego any such prepayment in full or in part at such time.

The Backup Special Tax Prepayment Amount (defined below) shall be calculated as summarized below.

1. For Assessor's Parcels of Developed Property, Final Mapped Property or Unmapped Property determine the Acreage of such Assessor's Parcel measured in square feet.

2. Compute the anticipated Acreage of Developed Property at full buildout of CFD No. 7, by adding the Acreage of all Assessor's Parcels of Developed Property in CFD No. 7 plus the Acreage of all Assessor's Parcels of Final Mapped Property in CFD No. 7 plus 85% of the anticipated Acreage at buildout of all Assessor's Parcels of Undeveloped Property in CFD No. 7.

3. Divide the Acreage of the Assessor's Parcel computed pursuant to paragraph 1 by the anticipated Acreage of Developed Property at full buildout of CFD No.7 computed pursuant to paragraph 2.

4. Multiply the quotient computed pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to compute the amount of Outstanding Bonds allocable to the Backup Special Tax on said Assessor's Parcel.

5. Determine the Redemption Premium and Defeasance Amount using the methodology described in paragraphs 4 through 10 in Section G.1.

6. The administrative fees and expenses of CFD No. 7 shall be calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 7 Bonds, and the costs of recording any notices to evidence the prepayment.

7. If reserve funds required by the Indenture are at or above 95% of the reserve requirement on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment. If reserve funds are between 95% and 100% of the reserve requirement, the reserve fund credit shall be reduced in proportion to the amount of the deficiency (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 95% of the reserve requirement.

8. Add the amounts computed pursuant to paragraphs 4, 5, and 6 and subtract the amount computed pursuant to paragraph 7 to determine the Backup Special Tax Prepayment Amount for such Assessor's Parcel.

9. To prepay the Backup Special Tax Prepayment Amount in full, the owner of such Assessor's Parcel must prepay the amount computed pursuant to paragraph 8. If the owner prepays the Backup Special Tax in full, said Assessor's Parcel (and its successors through the Final Mapping process) shall be permanently relieved of the obligation to pay a Backup Special Tax or a Maximum Special Tax based on a Backup Special Tax.

10. To prepay the Backup Special Tax Prepayment Amount in part, the owner of such Assessor's Parcel may prepay a percentage selected by it of the amount computed pursuant to paragraph 9. If the owner prepays the Backup Special Tax in part, the Backup Special Tax for said Assessor's Parcel (and its successors through the Final Mapping process) shall be reduced by the percentage by which the owner of the Assessor's Parcel partially prepays the Backup Special Tax for said Assessor's Parcel. From and after the date of such partial prepayment of the Backup Special Tax, the total Backup Special Tax applicable to said Assessor's Parcel (and its successors, if applicable) for purposes of all calculations and levies under this Rate and Method of Apportionment shall be the remaining percentage of the Backup Special Tax.

The amounts received in payment or partial prepayment of the Backup Special Tax Prepayment Amount in accordance with paragraphs 9 or 10 hereof shall be deposited into the appropriate fund and applied as set forth in the Indenture. CFD No. 7 shall retain the amounts received for administrative costs and expenses in accordance with paragraph 6.

With respect to any prepayment in full or in part of the Backup Special Tax, the Board shall cause an appropriate notation to be made in the records of CFD No. 7 and shall cause a suitable notice to be recorded for the Assessor's Parcel to indicate the full or partial prepayment of the Backup Special Tax as set forth herein.

H. <u>TERM OF SPECIAL TAX</u>

The Special Tax shall be levied for a period not to exceed forty years on each Assessor's Parcel.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE FISCAL AGENT AGREEMENT

The following is a summary of certain provisions of the 2004 Bonds Fiscal Agent Agreement and the 2000 Bonds Fiscal Agent Agreement not otherwise described in the text of this Official Statement. This summary is not intended to be definitive, and reference is made to the text of the Fiscal Agent Agreement for the complete provisions thereof.

DEFINITIONS

The following are some of the terms which are defined in the Fiscal Agent Agreement (the "Agreement"). Except as defined below, the terms previously defined in the is Official Statement have the meanings previously given.

"Administrative Expense Fund" means the fund by that name established by Section 3.05 (A) of the 2000 Bonds Fiscal Agent Agreement.

"Annual Debt Service" means, for each Bond Year, the sum of (i) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid.

"Auditor" means the Auditor-Controller of the County of Riverside.

"Authorized Officer" means any officer or employee of the School District authorized by the Board of Education or by an Authorized Officer to undertake the action referenced in the Agreement as required to be undertaken by an Authorized Officer.

"Bond Year" means the period beginning on the Closing Date and ending on September 1, 2005 and thereafter the period beginning on each September 2 and ending on the following September 1.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the State of California or in any state in which the Fiscal Agent has its Principal Office are authorized or obligated by law or executive order to be closed.

"Capitalized Interest Sub-account" means the sub-account by that name established in the 2004 Series A, Subordinate Bonds Interest Account.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debt Service" means the amount of interest and principal payable on the Bonds scheduled to be paid during the period of computation, excluding amounts payable during such period which relate to principal of the Bonds which are scheduled to be retired and paid before the beginning of such period.

"Developed Property" means, except as otherwise specifically provided herein, a parcel of property in the District for which a subdivision or parcel map creating lots or parcels upon which dwelling units will be constructed has been recorded with the County Recorder of the County of Riverside or a parcel of commercial property for which a building permit has been issued by the County of Riverside.

"District Value" means (i) the fair market value, as of the date of the appraisal provided for below, of all parcels of property in the District which are subject to the levy of the Special Taxes and not delinquent in the payment of any Special Taxes then due and owing, including with respect to such non-delinquent parcels the value of the then existing improvements thereon, as determined by reference to (i) an appraisal performed within ninety (90) days preceding the date of such determination by an appraiser selected and employed by the School District based upon a methodology of valuation consistent with the Appraisal; or (ii) in the alternative, the full cash value of any or all of such non-delinquent parcels and the improvements thereon as set forth on the then current assessment roll of the County Assessor of the County of Riverside.

"Federal Securities" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(i) Cash; and

(ii) Direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations, the payment of principal of and interest on which is unconditionally guaranteed by, the United States of America.

"Fiscal Year" means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

"Independent Financial Consultant" means a firm of certified public accountants, a financial consulting firm, a consulting engineering firm or engineer which is not an employee of, or otherwise controlled by, the School District or the Special Tax Consultant.

"Investment Earnings" means all interest earned and any gains and losses on the investment of moneys in any fund or account created by the Agreement excluding interest earned and gains and losses on the investment of moneys in the Rebate Fund.

"Maximum Annual Debt Service" means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds.

"Officer's Certificate" means a written certificate of the School District signed by an Authorized Officer of the School District.

"Outstanding," when used as of any particular time with reference to the Bonds, means all Bonds except:

(i) Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(ii) Bonds called for redemption which, for the reasons specified in a specified section of the Agreement, are no longer entitled to any benefit under the Agreement other than the right to receive payment of the redemption price therefor;

(iii) Bonds paid or deemed to have been paid within the meaning of a specified section of the Agreement; and

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the School District and authenticated by the Fiscal Agent pursuant to the Agreement or any Supplemental Agreement.

"Owner" means any person who shall be the registered owner of any Outstanding Bond.

"Permitted Investments" means:

(i) Federal Securities; and

(ii) Bonds, debentures, notes or other evidence issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(a) U.S. Export-Import Bank
Direct obligations or fully guaranteed certificates of beneficial ownership

(b) Farmers Home Administration
Certificates of beneficial ownership

(c) Federal Financing Bank

(d) Federal Housing Administration Debentures

(e) General Services Administration
Participation certificates

(f) Government National Mortgage Association (GNMA)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations

(g) U.S. Maritime Administration
Guaranteed Title XI financing

(h) U.S. Department of Housing and Urban Development
Project Notes
Local Authority Bonds
New Communities Debentures - United States government guaranteed debentures
U.S. Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(a) Federal Home Loan Bank System
Senior debt obligations

(b) Federal Home Loan Mortgage Corporation
Participation certificates
Senior debt obligations

(c) Federal National Mortgage Association
Mortgage-backed securities and senior debt obligations

(d) Student Loan Marketing Association
Senior debt obligations

(e) Resolution Funding Corporation (REFCORP) obligations

(f) Farm Credit System
Consolidated systemwide bonds and notes;

(iv) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard & Poor's of "AAAm-G," "AAA-m" or "AA-m" and, if rated by Moody's, rated "Aaa," "Aa1" or "Aa2" by Moody's, including funds for which the Fiscal Agent or any of its affiliates provides investment management services;

(v) Certificates of deposit secured at all times by collateral described in clauses (i) and/or (ii) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Fiscal Agent on behalf of the Owners of the Bonds must have a perfected first security interest in the collateral;

(vi) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(vii) Investment agreements with domestic or foreign banks or corporations the long-term debt or claims paying ability 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, the financial strength, of the guarantor is rated in at least the double A category by Standard & Poor's and Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Fiscal Agent at times and in amounts as necessary to pay debt service on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;

(c) the investment agreement shall provide that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) the School District and the Fiscal Agent receive the opinion of domestic counsel (which opinion shall be addressed to the School District) that such investment agreement is legal, valid, binding and enforceable upon and against the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the School District;

(e) the investment agreement shall provide that if during its term

(1) the provider's rating by either Standard & Poor's or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the School District, the Fiscal Agent or a third party acting solely as agent therefor (the "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 Standard & Poor's and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) assign the investment agreement and all of its obligations thereunder to a financial institution mutually acceptable to the Provider, the School District and the Fiscal Agent which is rated either in the first or second highest category by Standard & Poor's and Moody's; and

(2) the provider's rating by either Standard & Poor's or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the School District or the Fiscal Agent, within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the invested funds, in either case with no penalty or premium to the School District or the Fiscal Agent; and

(f) the investment agreement shall provide 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 the 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 shall mean the Holder of the Collateral is in possession of such collateral); and

(g) the investment agreement shall provide that if during its term

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the School District or the Fiscal Agent, be accelerated and amounts invested and accrued but unpaid interest thereon shall be paid to the School District or the Fiscal Agent, as appropriate; and

(2) 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 paid to the School District or the Fiscal Agent, as appropriate;

(viii) Commercial paper rated, at the time of purchase, “Prime - 1” by Moody's and “A-1” or better by Standard & Poor's;

(ix) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest rating categories assigned by them;

(x) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody's and “A-1” or better by Standard & Poor's;

(xi) Repurchase agreements which satisfy the following criteria:

(a) Repurchase agreements must be between the School District or the Fiscal Agent and a dealer bank or securities firm which is:

(1) A primary dealer on the Federal Reserve reporting dealer list which is rated “A” or better by Standard & Poor's and Moody's, or

(2) A bank rated “A” or above by Standard & Poor's and Moody's;

(b) The written agreement must include the following:

(1) Securities which are acceptable for transfer are:

(A) direct obligations of the United States government, or

(B) obligations of federal agencies backed by the full faith and credit of the United States of America (or the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)),

(2) The collateral must be delivered to the School District or the Fiscal Agent (if the Fiscal Agent is not supplying the collateral) or a third party acting as agent for the Fiscal Agent (if the Fiscal Agent is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities),

(3) (A) The securities must be valued weekly, marked-to-market at current market price plus accrued interest, and

(B) The value of the collateral must be at least equal to one hundred four percent (104%) of the amount of money transferred by the Fiscal Agent to the dealer, bank or security firm under the agreement plus accrued interest. If the value of the securities held as collateral is reduced below one hundred four percent (104%) of the value of the amount of money transferred by the Fiscal Agent, then additional acceptable securities and/or cash must be provided as collateral to bring the value of the collateral to one hundred four percent (104%); provided, however, that if the securities used as collateral are those of FNMA or FHLMC, then the value of the collateral must be equal to one hundred five percent (105%) of the amount of money transferred by the Fiscal Agent; and

(c) a legal opinion must be delivered to the School District and the Fiscal Agent that the repurchase agreement meets the requirements of California law with respect to the investment of public funds; and

(xii) the Local Agency Investment Fund in the State Treasury of the State of California as permitted by the State Treasurer pursuant to Section 16429.1 of the California Government Code.

"Rebate Certificate" means the certificate delivered by the School District upon the delivery of the Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate.

"Record Date" means the fifteenth (15th) day of the month next preceding the applicable Interest Payment Date whether or not such day is a Business Day.

"Regulations" means the temporary and permanent regulations of the United States Department of the Treasury promulgated under the Code.

"Representation Letter" means the representation letter which the School District has delivered to The Depository Trust Company ("DTC") with respect to the utilization of the book-entry system maintained by DTC for the issuance and registration of bonds.

"Special Tax Consultant" means a firm with expertise in the calculation, preparation and levy of special taxes for community facilities districts employed by the School District to calculate and prepare the annual levies of the Special Taxes to pay Debt Service on the Outstanding Bonds, 2000 Bonds and 2002 Bonds.

"Special Taxes" or "Special Tax" means the special taxes levied by the Board of Education on parcels of taxable property within the District pursuant to the Act, the 2000 Bonds Fiscal Agent Agreement, the 2002 Bonds Fiscal Agent Agreement and the Agreement.

"Special Tax Prepayments" means amounts received by the School District as prepayments of all or a portion of the Special Tax obligation of a parcel of property in the District.

"Special Tax Revenues" means the proceeds of the Special Taxes received by the School District, including any scheduled payments and 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 in the amount of said lien and interest and penalties thereon.

"Subordinate Bonds Interest Account" means the account by that name established in the Bond Fund pursuant to the 2002 Bonds Fiscal Agent Agreement.

"Subordinate Bonds Principal Account" means the account by that name established in the Bond Fund pursuant to the 2002 Bonds Fiscal Agent Agreement.

"Surplus Account" means the account by that name established in the Special Tax Fund by the 2000 Bonds Fiscal Agent Agreement.

"2000 Bonds" means the Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2000 Series A.

"2000 Bonds Fiscal Agent Agreement" means the Fiscal Agent Agreement between the School District and the Fiscal Agent dated May 1, 2000 regarding the 2000 Bonds.

"2002 Bonds" means the Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2000 Series A (Subordinate Lien Bonds).

"2002 Bonds Fiscal Agent Agreement" means the Fiscal Agent Agreement between the School District and the Fiscal Agent dated May 1, 2002 regarding the 2002 Bonds.

"2004 Series A, Subordinate Bonds Interest Account" means the account by that name established in the Bond Fund pursuant to the 2004 Bonds Fiscal Agent Agreement.

"2004 Series A, Subordinate Bonds Principal Account" means the account by that name established in the Bond Fund pursuant to the 2004 Bonds Fiscal Agent Agreement.

"Undeveloped Property" means parcels of property in the District which are subject to the levy of the Special Taxes and which are not Developed Property.

"Value of Undeveloped Property" means the fair market value, as of the date of the appraisal provided for below, of all parcels of Undeveloped Property which are not delinquent in the payment of any Special Taxes then due and owing, as determined by reference to (i) an appraisal performed within ninety (90) days preceding the date of such determination by an appraiser selected and employed by the School District based upon a methodology of valuation consistent with the Appraisal; or (ii) in the alternative, the full cash value of any or all of such non-delinquent parcels as set forth on the then current assessment roll of the County Assessor of the County of Riverside.

"Water District Certificate" means a certificate signed by the General Manager of the Water District requesting the disbursement of funds from the Water and Sewer Facilities Account.

AMENDMENTS TO 2000 BONDS FISCAL AGENT AGREEMENT AND 2002 BONDS FISCAL AGENT AGREEMENT

Amendments to the 2000 Bonds Fiscal Agent Agreement

The District and the Fiscal Agent, as fiscal agent under the 2000 Bonds Fiscal Agent Agreement, agree that the 2000 Bonds Fiscal Agent Agreement shall be and is amended as follows:

(A) The definition of "Special Taxes" and "Special Tax" contained in Section 1.03 of the 2000 Bonds Fiscal Agent Agreement is amended to read as follows:

> "Special Tax" or "Special Taxes" means the special taxes levied by the Board of Education on parcels of taxable property within the District pursuant to the Act, this Agreement, the Subordinate Lien Bonds Fiscal Agent Agreement and the 2004 Bonds Fiscal Agent Agreement.

(B) There are added to Section 1.03 of the 2000 Bonds Fiscal Agent Agreement the following definitions:

> "2004 Subordinate Lien Bonds" means the Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds)."
>
> "2004 Bonds Fiscal Agent Agreement" means the Fiscal Agent Agreement entered into by the School District and the Fiscal Agent dated as of December 1, 2004 regarding the 2004 Subordinate Lien Bonds.

(F) Section 4.02(B)(2) of the 2000 Bonds Fiscal Agent Agreement is amended to read as follows:

(2) Special Tax Prepayments Account Deposits and Disbursements. Within five (5) Business Days after receiving a Special Tax Prepayment, the School District shall deliver the amount thereof to the Fiscal Agent, together with an Officer's Certificate notifying the Fiscal Agent that the amount being delivered is a Special Tax Prepayment which is to be deposited in the Special Tax Prepayments Account and also instructing the Fiscal Agent that the Special Tax Prepayment is to be used to redeem Bonds or Subordinate Lien Bonds or 2004 Subordinate Lien Bonds. Upon receiving a Special Tax Prepayment from the School District and such an Officer's Certificate, the Fiscal Agent shall deposit the amount of the Special Tax Prepayment in the Special Tax Prepayments Account. Such an Officer's Certificate may be combined with the Officer's Certificate which the School District is required to deliver to the Fiscal Agent pursuant to Section 4.03(F) hereof or Section 4.03(F) of the Subordinate Bonds Fiscal Agent Agreement or Section 4.03(F) of the 2004 Bonds Fiscal Agent Agreement. Moneys on deposit in the Special Tax Prepayments Account shall be transferred by the Fiscal Agent to the Principal Account on the next date for which notice of the redemption of the Bonds can timely be given under Section 2.03(E) hereof or to the Subordinate Bonds Principal Account on the next date for which notice of the redemption of the Bonds can timely be given under Section 2.03(F) of the Subordinate Bonds Fiscal Agent Agreement or to the 2004 Subordinate Bonds Principal Account on the next date for which notice of the redemption of the 2004 Subordinate Lien Bonds can timely be given under Section 2.03(F) of the 2004 Bonds Fiscal Agent Agreement and shall be used to redeem the Bonds or the Subordinate Lien Bonds or the 2004 Subordinate Lien Bonds on the redemption date selected in accordance with Section 2.03(A) hereof or Section 2.03(B) of the Subordinate Bonds Fiscal Agent Agreement or Section 2.03(B) of the 2004 Bonds Fiscal Agent Agreement. Pending such transfer, the moneys on deposit in the Special Tax Prepayments Account shall be invested in Permitted Investments at such yield as Bond Counsel may determine is necessary to preserve the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Investment Earnings from such Permitted Investments shall be transferred by the Fiscal Agent on each Interest Payment Date to the Interest Account and used to pay interest on the Bonds on such Interest Payment Date.

(G) Section 4.03(F) of the 2000 Bonds Fiscal Agent Agreement is amended to read as follows:

(F) Transfers on Payment of Special Tax Obligations. Whenever the School District receives a Special Tax Prepayment for a lot or parcel of property within the District, the School District shall determine whether the Special Tax Prepayment is to be used to redeem Outstanding Bonds or Outstanding Subordinate Lien Bonds or Outstanding 2004 Subordinate Lien Bonds and, if the Special Tax Prepayment is to be used to redeem Outstanding Bonds, shall by an Officer's Certificate notify the Fiscal Agent thereof and of the amount by which the Reserve Fund is to be reduced and which is transferable from the Reserve Fund to the Principal Account of the Bond Fund, which amount shall be specified in the Officer's Certificate. Each such Officer's Certificate shall be accompanied by a report of an Independent Financial Consultant verifying the accuracy of the calculation of the amount to be transferred from the Reserve Fund to the Principal Account ("Verification"). Upon receipt of each such Officer's Certificate and Verification, upon which the Fiscal Agent may conclusively rely, the Fiscal Agent shall at such time as the amount of such Special Tax Prepayment will be used to redeem Bonds, as provided in Section 4.02(B)(2) hereof, transfer the amount specified in such Officer's Certificate to the Principal Account and use such amount, together with the amount of such Special Tax Prepayment, to redeem Bonds, as provided in Section 4.02(B)(2) hereof.

Amendments to the 2002 Bonds Fiscal Agent Agreement

The District and the Fiscal Agent, as fiscal agent under the 2002 Bonds Fiscal Agent Agreement, agree that the 2002 Bonds Fiscal Agent Agreement shall be and is amended as follows:

(A) There are added to Section 1.03 of the 2002 Bonds Fiscal Agent Agreement the following definitions:

"2004 Bonds" means the Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds)."

"2004 Bonds Fiscal Agent Agreement" means the Fiscal Agent Agreement entered into by the School District and the Fiscal Agent dated as of December 1, 2004 regarding the 2004 Subordinate Lien Bonds.

"2004 Series A, Subordinate Bonds Interest Account" means the account by that name established in the Bond Fund by Section 4.02(A) of the 2004 Bonds Fiscal Agent Agreement.

"2004 Series A, Subordinate Bonds Principal Account" means the account by that name established in the Bond Fund by Section 4.02(A) of the 2004 Bonds Fiscal Agent Agreement.

(B) The last paragraph of Section 4.02(B) of the 2002 Bonds Fiscal Agent Agreement is amended to read as follows:

"In the event that moneys remaining on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, after making all of the disbursements which are required by Sections 3.04(B) and 4.02(B) of the Prior Bonds Fiscal Agent Agreement, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, as provided above, and in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, as provided in Section 4.02(B) of the 2004 Bonds Fiscal Agent Agreement, the Fiscal Agent shall deposit the available funds first in proportionate amounts, as directed in writing by an Authorized Officer (upon which the Fiscal Agent may conclusively rely), in the Subordinate Bonds Interest Account and in the 2004 Series A, Subordinate Bonds Interest Account up to the full amount required to cause the aggregate amounts on deposit therein to equal the amount of interest becoming due and payable on the Bonds and the 2004 Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Special Tax Fund in proportionate amounts, as directed in writing by an Authorized Officer (upon which the Fiscal Agent may conclusively rely), in the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account up to the full amount required to cause the aggregate amount on deposit in each such account to equal the amount, if any, of principal becoming due and payable on the Bonds and the 2004 Bonds on the Interest Payment Date. If, after making such deposits to the Subordinate Bonds Interest Account, the 2004 Series A, Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account, and after transferring moneys from the Reserve Fund to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, as provided in Section 4.03(B) hereof, the amount on deposit in the Subordinate Bonds Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds."

Supplemental Agreement

The Agreement is a Supplemental Agreement entered into by the School District and the Fiscal Agent pursuant to Section 8.01(B) of the 2000 Bonds Fiscal Agent Agreement and pursuant to Section 8.01(B) of the 2002 Bonds Fiscal Agent Agreement. The School District has determined that the amendments to the 2000 Bonds Fiscal Agent Agreement provided for in Section 1.04 hereof do not adversely affect any Outstanding 2000 Bonds in any material respect. The School District has also determined that the amendments to the 2002 Bonds Fiscal Agent Agreement provided for in Section 1.05 hereof do not adversely affect any Outstanding 2002 Bonds in any material respect.

ISSUANCE OF PARITY BONDS

Issuance of Parity Bonds

The School District may issue bonds of the District, in addition to the Bonds, which shall be secured by a lien on the Special Tax Revenues and funds pledged for the payment of the Bonds hereunder on a parity with the Outstanding Bonds as provided in the Agreement (the "Parity Bonds") (i) in an aggregate principal amount which shall not exceed $4,470,000 for the purpose of financing the construction and acquisition of additional portions of the Project or by means of a Supplemental Agreement and without the consent of any Bondowners, upon compliance with the provisions of this Section. The School District may issue such Parity Bonds subject to the following specific conditions precedent:

(A) Current Compliance. The School District shall be in compliance with all covenants set forth in the Agreement, the 2000 Bonds Fiscal Agent Agreement and the 2002 Bonds Fiscal Agent Agreement and all Supplemental Agreements.

(B) Payment Dates. The Supplemental Agreement providing for the issuance of such Parity Bonds shall provide that interest thereon shall be payable on March 1 and September 1, and principal thereof shall be payable on September 1 in any year in which principal is payable (provided that there shall be no requirement that any Parity Bonds pay interest on a current basis);

(C) Funds and Accounts; Reserve Fund Deposit. The Supplemental Agreement providing for the issuance of such Parity Bonds may provide for the establishment of separate funds and accounts, and shall provide for a deposit to a reserve fund, which may be the Reserve Fund, in an amount necessary so that the amount on deposit therein, following the issuance of such Parity Bonds, is equal to the reserve requirement therefor;

(D) District Value. The District Value shall be at least three times the sum of: (i) the aggregate principal amount of all Bonds, all 2000 Bonds and all 2002 Bonds then Outstanding, plus (ii) the aggregate principal amount of the Parity Bonds proposed to be issued, plus (iii) the aggregate principal amount of any fixed assessment liens on the parcels in the District subject to the levy of Special Taxes, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of property within the District (the "Other CFD Bonds") equal to the aggregate principal amount of the Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on parcels of property within the District, and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes to pay the Other CFD Bonds (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 the Other CFD Bonds will occur), based upon information which is available for the then current Fiscal Year.

(E) Value of Undeveloped Property. The Value of Undeveloped Property shall be at least three times the sum of: (i) the portion of the aggregate principal amount of all Bonds, all 2000 Bonds and all 2002 Bonds then Outstanding which is allocable to Undeveloped Property, plus (ii) the portion of the aggregate principal amount of the Parity Bonds proposed to be issued which is allocable to Undeveloped Property, plus (iii) the aggregate principal amount of any fixed assessment liens on parcels of Undeveloped Property, plus (iv) a portion of the aggregate principal amount of any and all other community facilities district bonds then outstanding and payable at least partially from special taxes to be levied on parcels of Undeveloped Property (the "Other CFD Bonds") equal to the aggregate principal amount of the Other CFD Bonds multiplied by a fraction, the numerator of which is the amount of special taxes levied for the Other CFD Bonds on parcels of Undeveloped Property, and the denominator of which is the total amount of special taxes levied for the Other CFD Bonds on all parcels of property which are subject to the levy of such special taxes to pay the Other CFD Bonds (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 the Other CFD Bonds will occur), based upon information which is available for the then current Fiscal Year. The portions of the aggregate principal amount of all Bonds, all 2000 Bonds and all 2002 Bonds then Outstanding and the aggregate principal amount of the series of Parity Bonds proposed to be issued which are allocable to Undeveloped Property shall be determined by multiplying the total of (i) the aggregate principal amount of all Bonds, all 2000 Bonds and all 2002 Bonds then Outstanding and (ii) the aggregate principal amount of the Parity Bonds proposed to be issued by a fraction, the numerator of which is the amount of Special Taxes that will be levied on all parcels of Undeveloped Property to pay Annual Debt Service on the Bonds, the 2000 Bonds and the 2002 Bonds which are Outstanding and on the Parity Bonds proposed to be issued, and the denominator of which is the total amount of the Special Taxes which will be levied on all parcels of taxable property in the District to pay Annual Debt Service on the Bonds, the 2000 Bonds and the 2002 Bonds which are Outstanding and on the Parity Bonds proposed to be issued (such fraction to be determined based upon the maximum Special Taxes which could be levied in the year in which Maximum Annual Debt Service with respect to all of the Bonds, the 2000 Bonds, the 2002 Bonds and the series of Parity Bonds proposed to be issued will occur).

(F) *Special Tax Coverage.* If the proposed Parity Bonds are being issued for the purpose of financing the construction and acquisition of additional portions of the Project, the School District shall obtain a certificate of a Special Tax Consultant to the effect that the amount of the maximum Special Taxes that may be levied in each Fiscal Year on all parcels of Developed Property, which are not delinquent in the payment of any installment of the Special Taxes then due and owing, shall be at least one hundred ten percent (110%) of the total Annual Debt Service for each such Fiscal Year on the Bonds, the 2000 Bond and the 2002 Bonds which are Outstanding and the proposed Parity Bonds, plus Administrative Expenses (as defined in the 2000 Bonds Fiscal Agent Agreement) for each Fiscal Year as estimated by the School District. The provisions of this paragraph (F) shall not be applicable if the proposed Parity Bonds are being issued to defease and refund a portion of the Outstanding Bonds and such defeasance and refunding will not result in an increase in Annual Debt Service in any Bond Year.

(G) *Officer's Certificate.* The School District shall deliver to the Fiscal Agent an Officer's Certificate certifying that the conditions precedent to the issuance of such Parity Bonds set forth in paragraphs (A), (B), (C), (D), (E) and (F) of this Section have been satisfied.

Notwithstanding the preceding provisions of this Section, the School District may issue bonds of the District at any time, without the consent of the Bondowners, for the purpose of discharging the entire indebtedness of all Outstanding Bonds.

Further notwithstanding the preceding provisions of this Section, the School District may issue bonds of the District which will be Parity Bonds, as defined in the 2000 Bonds Fiscal Agent Agreement, at any time, without the consent of the Bondowners, for the purpose of discharging the entire indebtedness of all of the Outstanding 2000 Bonds, as provided in the 2000 Bonds Fiscal Agent Agreement.

IMPROVEMENT FUND; SPECIAL TAX FUND; ADMINISTRATIVE EXPENSE FUND

Improvement Fund

(A) *Establishment of Improvement Fund.* The Agreement establishes, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds), Improvement Fund." There are also established as separate accounts in the Improvement Fund to be held by the Fiscal Agent the "School Facilities Account" and the "Water and Sewer Facilities Account" to the credit of which deposits shall be made as required by the Agreement. Moneys in the Improvement Fund shall be held by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed, except as otherwise provided in subsection (D) of this Section, for the payment or reimbursement of the costs of the design, acquisition and construction of the Project and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) Procedure for Disbursement.

(1) School Facilities Account. Disbursements from the School Facilities Account shall be made by the Fiscal Agent upon receipt of an Officer's Certificate which shall:

(a) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid; and

(b) certify that no portion of the amount then being requested to be disbursed was set forth in any Officer's Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the School Facilities Account.

(2) Water and Sewer Facilities Account. Disbursements from the Water and Sewer Facilities Account shall be made by the Fiscal Agent upon receipt of a Water District Certificate which shall:

(a) set forth the amount required to be disbursed, the purpose for which the disbursement is to be made and the person to which the disbursement is to be paid;

(b) certify that the amount required to be disbursed is for payment of costs related to the construction and acquisition of the Water and Sewer Facilities as described in the Joint Community Facilities Agreement; and

(c) certify that no portion of the amount then being requested to be disbursed was set forth in any Water District Certificate previously filed with the Fiscal Agent requesting disbursement, and that the amount being requested is an appropriate disbursement from the Water and Sewer Facilities Account.

(C) Investment. Moneys in the Improvement Fund shall be invested and deposited in accordance with the Agreement. Investment Earnings from amount on deposit in the School Facilities Account shall be retained by the Fiscal Agent in such account to be used for the purposes of such account. Investment Earnings from amounts on deposit in the Water and Sewer Facilities Account shall be retained by the Fiscal Agent in such account to be used for the purposes of such account.

(D) Closing of Fund. Upon the filing of an Officer's Certificate stating that the portions of the Project which are to be financed with the moneys on deposit in the School Facilities Account and the Water and Sewer Facilities Account have been completed and that all costs of such portions of the Project have been paid or are not required to be paid from the Improvement Fund, and further stating that moneys on deposit in the Improvement Fund are not needed to complete such portions of the Project or reimburse the cost thereof, the Fiscal Agent shall transfer the amount, if any, remaining in the Improvement Fund to the Subordinate Bonds Principal Account of the Bond Fund to be used to pay the principal of the Bonds.

Special Tax Fund

(A) Establishment of Special Tax Fund. The 2000 Bonds Fiscal Agent Agreement establishes, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Fund" to the credit of which the School District shall deposit, immediately upon receipt, all Special Tax Revenues received by the School District and any amounts required by the 2000 Bonds Fiscal Agent Agreement to be deposited therein. There is also established in the Special Tax Fund, as a separate account to be held by the Fiscal Agent, the "Surplus Account." Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the School District and the Owners of the 2000 Bonds, the Owners of the 2002 Bonds and the Owners of the Bonds shall be disbursed as provided below and, pending disbursement, shall be subject to a lien in favor of the Owners of the 2000 Bonds, the Owners of the 2002 Bonds and the Owners of the Bonds.

Notwithstanding the foregoing, any amounts received by the School District which constitute Special Tax Prepayments shall be transferred by the School District immediately upon receipt to the Fiscal Agent for deposit by the Fiscal Agent in the Special Tax Prepayments Account.

(B) Disbursements. As soon as practicable after the receipt from the School District of any Special Tax Revenues, but no later than ten (10) Business Days after such receipt, the Fiscal Agent shall withdraw from the Special Tax Fund and deposit in the Administrative Expense Fund, an amount estimated by the School District to be sufficient, as set forth in an Officer's Certificate delivered to the Fiscal Agent, together with the amount then on deposit in the Administrative Expense Fund, to pay the Administrative Expenses during the current Fiscal Year; provided, however, that the amount deposited in the Administrative Expense Fund prior to the deposits to the Interest Account and the Principal Account of the Bond Fund, as provided below, shall not exceed $30,000 for any Fiscal Year. From the amount then remaining on deposit in the Special Tax Fund, the Fiscal Agent shall, concurrently with the foregoing deposit, deposit in the Reserve Fund the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Requirement and shall thereafter deposit in the Bond Fund the entire remaining balance of the amount then on deposit in the Special Tax Fund.

On or before the March 1 Interest Payment Date in each Bond Year, the Fiscal Agent shall transfer moneys from the Surplus Account, to the extent of moneys on deposit therein, to the Interest Account in an amount equal to any deficiency in the amount of other moneys which are on deposit in the Special Tax Fund and available for transfer to and deposit in such account to pay the full amount of the interest on the 2000 Bonds, the 2002 Bonds and the Bonds which is due and payable on such Interest Payment Date. On or before the September 1 Interest Payment Date in each Bond Year, the Fiscal Agent shall transfer moneys from the Surplus Account, to the extent of moneys on deposit therein, to the Interest and the Principal Accounts in an amount equal to any deficiency in the amount of other moneys which are on deposit in the Special Tax Fund and available for transfer to and deposit in such accounts to pay the full amount of the interest on and principal of the 2000 Bonds, the 2002 Bonds and the Bonds which is due and payable on such Interest Payment Date. On or before May 30 of each year, commencing on May 30, 2001, the Fiscal Agent shall notify the School District of the amount which is then on deposit in the Surplus Account and of the aggregate amount of the principal of and interest on the Bonds which will become due and payable on the following September 1.

On September 2 of each year, the amount on deposit in the Special Tax Fund (including the amount on deposit in the Surplus Account), together with the amount then on deposit in the Bond Fund (including the Principal Account therein but not including, however, the Interest Account or the Special Tax Prepayments Account), shall not exceed the greater of (i) one year's earnings on such amounts, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year. If on September 2 of any year the amount on deposit in the Special Tax Fund, together with the amount then on deposit in the Bond Fund (other than such excluded amounts), exceeds the maximum amount allowable pursuant to the preceding sentence, the excess shall be deposited to the Reserve Fund to the extent that the amount on deposit therein is less than the Reserve Requirement, and any such excess remaining in the Special Tax Fund thereafter shall be deposited to the Administrative Expense Fund. On September 2 of each year, after any such excess amount has been transferred as provided in the Agreement, the amount on deposit in the Special Tax Fund, together with the amount then on deposit in the Bond Fund (other than such excluded amounts), shall not exceed in the aggregate the greater of (i) one year's earnings thereon, or (ii) one-twelfth (1/12th) of Annual Debt Service for the then current Bond Year.

Notwithstanding the foregoing, moneys shall not be transferred from the Special Tax Fund for deposit in the Administrative Expense Fund if such transfer or the amount thereof would adversely affect the payment of Debt Service on the 2000 Bonds, the 2002 Bonds and the Bonds in the then current Bond Year.

Administrative Expense Fund

(A) Establishment of Administrative Expense Fund. The 2000 Bonds Fiscal Agent Agreement establishes, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Administrative Expense Fund" to the credit of which deposits shall be made as required by the Agreement. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the School District, and shall be disbursed as provided below.

(B) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the School District or its order upon receipt by the Fiscal Agent of an Officer's Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense (or a Cost of Issuance) and the nature of such Administrative Expense (or Cost of Issuance).

Annually, not later than the last day of each Fiscal Year, the Fiscal Agent shall withdraw any amount then remaining in the Administrative Expense Fund that has not been allocated by an Officer's Certificate received by the Fiscal Agent from the School District to pay Administrative Expenses which are expected to be incurred in the succeeding Fiscal Year prior to the receipt by the School District of Special Tax Revenues for such succeeding Fiscal Year and transfer such amount to the Special Tax Fund.

SPECIAL TAX REVENUES; BOND FUND; RESERVE FUND

Pledge of Special Tax Revenues

The Bonds shall be secured by a pledge of and lien upon (which shall be effected in the manner and to the extent herein provided) all of the Special Tax Revenues which are subordinate to the pledge of and lien upon the Special Tax Revenues which secure the 2000 Bonds and which are equal to and at parity with the pledge of and lien upon the Special Tax Revenues which secure the 2002 Bonds and by a first and prior pledge of and lien upon all moneys deposited in the 2004 Series A, Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Interest Account of the Bond Fund and all moneys deposited in the Reserve Fund. The Bonds shall be equally secured by such a subordinate pledge of and lien upon the Special Tax Revenues with respect to the Outstanding 2000 Bonds, such a parity pledge of and lien upon the Special Tax Revenues with respect to the Outstanding 2002 Bonds and such a first and prior pledge of and lien upon such moneys without priority for number, date of Bond, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premium upon the redemption of any thereof shall be and is secured by such a subordinate pledge of and lien upon the Special Tax Revenues with respect to the 2000 Bonds, such a parity pledge of and lien upon the Special Tax Revenues with respect to the Outstanding 2002 Bonds and such a first and prior pledge of and lien upon such moneys. The Special Tax Revenues and all moneys deposited into such accounts are hereby dedicated in their entirety, to the extent provided in this Section, to the payment of the principal of the Bonds, and interest and any premium on, the Bonds, as provided herein and in the Act, until all of the Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with another section of the Agreement.

Bond Fund

(A) Subordinate Bonds Interest and Principal Accounts. The 2000 Bonds Fiscal Agent Agreement establishes the "Community Facilities District No. 7 of Riverside Unified School District Special Tax Bonds Bond Fund." The Agreement establishes in the Bond Fund, as separate accounts to be held by the Fiscal Agent, the "2004 Series A, Subordinate Bonds Interest Account" and the "2004 Series A, Subordinate Bonds Principal Account" to the credit of which deposits shall be made as required by specified section of the Agreement and any other provision of the Agreement or the Act. There is also established in the 2004 Series A, Subordinate Bonds Interest Account, as a separate sub-account to be held by the Fiscal Agent, the "Capitalized Interest Sub-account" to the credit of which a deposit shall be made as required by another section of the Agreement. Moneys in the 2004 Series A, Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Interest Account shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds, shall be disbursed for the payment of the principal of, and interest and any premium on, the Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

(B) *Disbursements.* On or before each Interest Payment Date, after making the deposits required to be made by specified sections of the 2000 Bonds Fiscal Agent Agreement for payment of Debt Service on the 2000 Bonds and restoration of the reserve fund for the 2000 Bonds, the Fiscal Agent shall transfer from the Special Tax Fund (including the Surplus Account therein) and deposit into the following respective accounts in the Bond Fund the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Special Tax Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) *2004 Series A, Subordinate Bonds Interest Account.* On or before each Interest Payment Date, the Fiscal Agent shall deposit in the 2004 Series A, Subordinate Bonds Interest Account the amount required to cause the aggregate amount on deposit in the 2004 Series A, Subordinate Bonds Interest Account to equal the amounts of interest becoming due and payable on the Bonds on such date. No deposit need be made into the 2004 Series A, Subordinate Bonds Interest Account on any Interest Payment Date if the amount on deposit therein is at least equal to the interest becoming due and payable on the Bonds on such date. All moneys in the 2004 Series A, Subordinate Bonds Interest Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the 2004 Series A, Subordinate Bonds Interest Account, except in the Capitalized Interest Sub-account, on the first day of any Bond Year, to the extent not required to pay any interest then having become due and payable on the Outstanding Bonds shall be withdrawn therefrom by the Fiscal Agent and transferred to the Surplus Account.

(a) *Capitalized Interest Sub-account.* On or before the Interest Payment Dates which occur on March 1, 2005 and September 1, 2005, the Fiscal Agent shall withdraw from the Capitalized Interest Sub-account and transfer to the Interest Account the amount which is necessary to cause the amount on deposit in the Interest Account to be equal to the amount of Debt Service which is due and payable on the Outstanding Bonds on such Interest Payment Date. The amount, if any, on deposit in the Capitalized Interest Sub-account on September 2, 2005 shall be withdrawn by the Fiscal Agent and transferred to the Surplus Account and the Capitalized Interest Sub-account shall be closed.

(2) *2004 Series A, Subordinate Bonds Principal Account.* On or before each Interest Payment Date that occurs on September 1, the Fiscal Agent shall deposit in the 2004 Series A, Subordinate Bonds Principal Account the amount required to cause the aggregate amount on deposit in the 2004 Series A, Subordinate Bonds Principal Account to equal the principal amount of the Bonds becoming due and payable on such date, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premium) required to be redeemed on such date. All moneys in the 2004 Series A, Subordinate Bonds Principal Account shall be used and withdrawn by the Fiscal Agent solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the 2004 Series A, Subordinate Bonds Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having become due and payable, shall be withdrawn therefrom and transferred to the Surplus Account.

On the first Business Day following each Interest Payment Date, the Fiscal Agent shall transfer any moneys remaining on deposit in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, other than moneys on deposit in the Capitalized Interest Sub-account and the Special Tax Prepayments Account, to the Surplus Account.

In the event that moneys remaining on deposit in the Special Tax Fund, including moneys on deposit in the Surplus Account, after making all of the disbursements which are required by the 2000 Bonds Fiscal Agent Agreement, will be insufficient on any Interest Payment Date for the Fiscal Agent to deposit the required amounts in the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account, as provided in the 2002 Bonds Fiscal Agent Agreement, and in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, as provided above, the Fiscal Agent shall deposit the available funds first in proportionate amounts, as directed in writing by an Authorized Officer (upon which the Fiscal Agent may conclusively rely) in the Subordinate Bonds Interest Account and in the 2004 Series A, Subordinate Bonds Interest Account up to the full amount required to cause the aggregate amounts on deposit therein to equal the amounts of interest becoming due and payable on the 2002 Bonds and the Bonds on the Interest Payment Date, and shall then deposit the remaining available funds in the Special Tax Fund in proportionate amounts, as directed in writing by an Authorized Officer (upon which the Fiscal Agent may conclusively rely) in the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account up to the full amount required to cause the aggregate amount on deposit in each such account to equal the amount, if any, of principal becoming due and payable on the 2002 Bonds and the Bonds on the Interest Payment Date. If, after making such deposits to the Subordinate Bonds Interest Account, 2004 Series A, Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the 2004 Series A, Subordinate Bonds Principal Account, and after transferring moneys from the Reserve Fund to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account, as provided in a specific section of the Agreement, the amount on deposit in the 2004 Series A, Subordinate Bonds Principal Account is insufficient to pay the full amount of the principal of each of the Bonds which is to be redeemed on the Interest Payment Date, the Fiscal Agent shall make a prorated payment of the principal of each of such Bonds.

(C) *Investment.* Moneys in the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account shall be invested and deposited in accordance with another section of the Agreement. Except to the extent they are required to be deposited by the Fiscal Agent in the Surplus Account or in the Rebate Fund in accordance with a section of the Agreement, Investment Earnings on the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account shall be retained therein.

(D) *Deposits to the Administrative Expense Fund.* Notwithstanding the provisions of a specified section of the 2000 Bonds Fiscal Agent Agreement, moneys shall not be transferred from the Special Tax Fund to the Administrative Expense Fund if such transfer or the amount thereof would aversely affect the payment of Debt Service on the Bonds in the then current Bond Year.

Reserve Fund

(A) *Establishment of Fund.* The Agreement establishes, as a separate account to be held by the Fiscal Agent, the "Community Facilities District No.7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds), Reserve Fund" to the credit of which a deposit shall be made on the Closing Date, which deposit is equal to the Reserve Requirement. If there is included in the levy of the Special Taxes for any Fiscal Year an amount to restore the Reserve Fund to the Reserve Requirement, on September 2 after the end of such Fiscal Year, the Fiscal Agent shall, to the extent of funds remaining on deposit in the Special Tax Fund (including the Surplus Account), transfer from the Special Tax Fund and deposit in the Reserve Fund an amount which shall not exceed the amount necessary to restore the amount on deposit therein to the Reserve Requirement. If moneys are transferred from the Reserve Fund to the Subordinate Bonds Interest Account and/or the 2004 Series A, Subordinate Bonds Principal Account pursuant to Subsection (B) hereof as a result of delinquencies in the collection of the Special Taxes and such delinquent Special Taxes are collected and remitted to the Fiscal Agent for deposit in the Special Tax Fund, the Fiscal Agent shall on the following September 2, to the extent of funds remaining on deposit in the Special Tax Fund (including the Surplus Account), transfer from the Special Tax Fund and deposit in the Reserve Fund an amount which shall not exceed the amount necessary to restore the amount on deposit therein to the Reserve Requirement. If the School District includes any such amount in the levy of the Special Taxes for any Fiscal Year or if any such delinquent Special Taxes are collected and remitted to the Fiscal Agent, the School District shall notify the Fiscal Agent thereof in a written communication from an Authorized Officer which shall specify the amount included in the levy of such Special Taxes or the amount of such delinquent Special Taxes which is being remitted and which is to be transferred from the Special Tax Fund to the Reserve Fund.

(B) **Use of Fund.** Except as otherwise provided in this Section, all amounts on deposit in the Reserve Fund shall be used and withdrawn by the Fiscal Agent solely for the purpose of making transfers to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account in the event of any deficiency at any time in either of such accounts of the amount then required for payment of the principal of and interest and any premium on the Bonds or for the purpose of redeeming Bonds.

(C) **Transfer Due to Deficiency in Subordinate Bonds Interest and Principal Accounts.** Whenever transfer is made from the Reserve Fund to the 2004 Series A, Subordinate Bonds Interest Account or the Subordinate Bonds Principal Account due to a deficiency in either such account, the Fiscal Agent shall provide written notice thereof to the School District.

(D) **Transfer of Excess of Reserve Requirement.** Whenever, on any September 2, the total of the amount in the Reserve Fund, less Investment Earnings resulting from the investment of the funds therein which must be rebated to the United States, exceeds the then applicable Reserve Requirement, the Fiscal Agent shall provide written notice to the School District of the amount of the excess. Upon receiving written direction from an Authorized Officer (upon which the Fiscal Agent may conclusively rely), the Fiscal Agent shall, subject to the requirements with regard to rebate of funds to the United States, transfer an amount from the Reserve Fund which will reduce the amount on deposit therein to an amount equal to the Reserve Requirement to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account to be used for the payment of the interest on and principal of the Bonds on the next succeeding Interest Payment Date.

(E) **Transfer When Balance Exceeds Outstanding Bonds.** 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 Fiscal Agent shall, upon receiving written direction from an Authorized Officer, transfer the amount in the Reserve Fund to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account to be applied, on the next succeeding Interest Payment Date, to the payment and redemption, as applicable, of all of the Outstanding Bonds. In the event that the amount available to be so transferred from the Reserve Fund to the 2004 Series A, Subordinate Bonds Interest Account and the 2004 Series A, Subordinate Bonds Principal Account exceeds the amount required to pay and redeem the Outstanding Bonds, the excess shall be transferred to the School District to be used for any lawful purpose of the School District.

(F) **Transfers on Payment of Special Tax Obligations**. Whenever the School District receives a Special Tax Prepayment for a lot or parcel of property within the District, and if the School District determines that such Special Tax Prepayment will be used to redeem Outstanding Bonds, the School District shall by an Officer's Certificate notify the Fiscal Agent thereof and of the amount by which the Reserve Fund is to be reduced and which is transferable from the Reserve Fund to the 2004 Series A, Subordinate Bonds Principal Account, which amount shall be specified in the Officer's Certificate. Each such Officer's Certificate shall be accompanied by a report of an Independent Financial Consultant verifying the accuracy of the calculation of the amount to be transferred from the Reserve Fund to the 2004 Series A, Subordinate Bonds Principal Account ("Verification"). Upon receipt of each such Officer's Certificate and Verification, upon which the Fiscal Agent may conclusively rely, the Fiscal Agent shall at such time as the amount of such Special Tax Prepayment will be used to redeem Bonds, transfer the amount specified in such Officer's Certificate to the Principal Account and use such amount, together with the amount of such Special Tax Prepayment, to redeem Bonds.

(G) **Investment.** Thereafter, Investment Earnings shall be retained in the Reserve Fund to be used for the purposes of such fund, except to the extent they are required to be deposited by the Fiscal Agent in the Rebate Fund.

OTHER COVENANTS OF THE SCHOOL DISTRICT

Punctual Payment

The School District will punctually pay or cause to be paid the principal of and interest and any premium on the Bonds when and as due in strict conformity with the terms of the Agreement and any Supplemental Agreement to the extent that the Special Tax Revenues are available therefor, and it will faithfully observe and perform all of the conditions, covenants and requirements of the Agreement and all Supplemental Agreements and of the Bonds.

Special Obligation

The Bonds are special obligations of the School District and the District and are payable solely from and secured solely by a subordinate pledge of and lien upon the Special Tax Revenues and a first and prior pledge of and lien upon the amounts in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account and the Reserve Fund.

Extension of Time for Payment

In order to prevent any accumulation of claims for interest after maturity, the School District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the School District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of the Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Against Encumbrances

The School District shall not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues or other amounts pledged to the Bonds (other than the existing pledge thereof and lien thereon which secures payment of the 2000 Bonds) superior to or on a parity with the pledge and lien created in the Agreement for the benefit of the Bonds.

Protection of Security and Rights of Owners

The School District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds by the School District, the Bonds shall be incontestable by the School District.

Collection of Special Tax Revenues

The School District shall comply with all requirements of the Act, including the enactment of necessary Ordinances, so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of the payment or collection of delinquent Special Taxes.

On or within five (5) Business Days of May 1 of each year, the Fiscal Agent shall provide the School District with a notice stating the amount then on deposit in the Surplus Account, the 2004 Series A, Subordinate Bonds Interest Account, the 2004 Series A, Subordinate Bonds Principal Account and the Reserve Fund, and informing the School District that the Special Taxes are to be levied by Ordinance as necessary to provide for Annual Debt Service and replenishment (if necessary) of the Reserve Fund so that the balance therein equals the Reserve Requirement. The receipt of such notice by the School District or the failure of the Fiscal Agent to give such notice shall in no way affect the obligations of the School District under the following two paragraphs. The Fiscal Agent shall have no liability if it does not provide such notice to the School District. Upon receipt of such notice, the School District shall communicate with the Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current Fiscal Year.

The School District shall effect the levy of the Special Taxes each Fiscal Year in accordance with the Act by August 1 of each year (or such later date as may be authorized by the Act or any amendment thereof) that the Bonds are Outstanding, 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 District for inclusion on the tax roll for the Fiscal Year then beginning. Upon the completion of the computation of the amounts of the levy of the Special Taxes, the School District shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the tax roll. Notwithstanding the preceding provisions of this paragraph, the Board of Education may elect, as permitted by the Act, to collect the Special Taxes to be levied for any Fiscal Year directly from the owners of the parcels of taxable property upon which the Special Taxes are levied rather than by transmitting the Special Taxes to the Auditor for collection on the tax roll; provided that, in such event, the School District shall otherwise comply with the provisions of this Section.

The School District shall fix and levy the amount of Special Taxes within the District required for the payment of principal of and interest on any Outstanding Bonds, any Outstanding 2000 Bonds and any Outstanding 2002 Bonds becoming due and payable during the ensuing calendar year, including any necessary replenishment or expenditure of the Reserve Fund for the Bonds during such calendar year. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings for the establishment of the District.

The Special Taxes shall be payable and be collected (except in the event of judicial foreclosure proceedings) in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

The School District will not, in collecting the Special Taxes or in processing any such judicial foreclosure proceedings, exercise any authority which it has pursuant to Sections 53340, 53344.1, 53344.2, 53356.1 and 53356.5 of the California Government Code in any manner which would materially and adversely affect the interests of the Bondowners and, in particular, will not permit the tender of Bonds in full or partial payment of any Special Taxes except upon receipt of a certificate of an Independent Financial Consultant that to accept such tender will not result in the School District having insufficient Special Tax Revenues to pay the principal of and interest on the Bonds and any Parity Bonds remaining Outstanding following such tender.

Reduction of Maximum Special Tax Rates

The School District covenants that, to the extent that it is legally permitted to avoid doing so, it will not initiate and conduct proceedings to reduce the maximum rates of Special Taxes which are authorized to be levied on taxable parcels or property within the District (the "Maximum Rates"); provided, however, that the Maximum Rates may be reduced upon the full or partial prepayment of the obligation of a parcel of property within the District to pay the Special Taxes as permitted by the rates and method of apportionment of Special Taxes for the District.

The School District further covenants that in the event an ordinance is adopted by initiative pursuant to Section 3 of Article XIII C of the California Constitution, which purports to reduce or otherwise alter the Maximum Rates, it will commence and pursue legal action seeking to preserve its ability to comply with its covenant contained in the preceding paragraph.

Further Assurances

The School District will adopt, make, execute and deliver any and all such further ordinances, resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Agreement, and for better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Agreement.

Tax Covenants

The School District covenants that:

(A) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 103(b) and Section 148 of the Code;

(B) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest paid with respect to the Bonds;

(C) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(D) It will comply with the Rebate Certificate as a source of guidance for achieving compliance with the Code; and

(E) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

Prepayment of Special Taxes

The School District shall cause all applications of owners of property in the District to prepay and satisfy the Special Tax obligation for their property to be reviewed by an Independent Financial Consultant and shall not accept any such prepayment unless such consultant certifies in writing that following the acceptance of the proposed prepayment by the School District and the redemption of Bonds with such prepayment, the ratio of (i) the maximum amount of the Special Taxes that may be levied on all Developed Property in the District which following such prepayment will be subject to the levy of the Special Taxes to (ii) Maximum Annual Debt Service on the 2000 Bonds, the 2002 Bonds and the Bonds which will remain Outstanding following such redemption (**e.g.,** 1.10 to 1.0) will not be less than such ratio as it existed prior to such prepayment. Solely for purposes of such certification, "Developed Property" means a parcel of property for which a building permit has been issued by the County of Riverside for the construction of a residence or a commercial building.

Calculation of Prepayments

The School District will not include in any calculation of the amount necessary to prepay and permanently satisfy the Special Tax obligation of any parcel of taxable property in the District of a proportionate amount of the amount then on deposit in the Reserve Fund, if at the time of such calculation the amount on deposit in the Reserve Fund is less than the Reserve Requirement; provided, however, that in such event the School District may pay to the owner of any such property who prepays and permanently satisfies the Special Tax obligation for his or her property, under such circumstances, such a proportionate amount if the amount on deposit in the Reserve Fund is thereafter increased to the Reserve Requirement.

INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS

Deposit and Investment of Moneys in Funds

Subject in all respects to the provisions of the section of the Agreement regarding the Rebate Fund, moneys in any fund or account created or established by the Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in paragraph (iv) in the definition of Permitted Investments. The Fiscal Agent shall not have any responsibility for determining the legality of any Permitted Investments. The Fiscal Agent shall have no obligation to pay additional interest or maximize investment income on any funds held by it. Neither the School District nor the Owners of the Bonds shall have any claim of any kind against the Fiscal Agent in connection with investments properly made pursuant to this Section. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, subject, however, to the requirements of the Agreement for transfer of Investment Earnings in funds and accounts.

The Fiscal Agent and its affiliates may act as sponsor, advisor, depository, principal or agent in the holding, acquisition or disposition of any investment. The Fiscal Agent shall not incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Subject in all respects to the provisions of the Agreement, investments in any and all funds and accounts may be commingled in a single fund for purposes of making, holding and disposing of investments, notwithstanding provisions in the Agreement for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent hereunder, provided that the Fiscal Agent shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in the Agreement.

The Fiscal Agent shall sell at the highest price reasonably obtainable (provided that the highest of any three bids received by the Fiscal Agent shall be deemed the highest price reasonably obtainable), or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such investment security is credited, and the Fiscal Agent shall not be liable or responsible for any loss resulting from the acquisition or disposition of any such investment security in accordance herewith.

Rebate Fund; Rebate to the United States

There is created, to be held by the Fiscal Agent, as a separate account distinct from all other funds and accounts held by the Fiscal Agent under the Agreement, the Rebate Fund. The Fiscal Agent shall, in accordance with written directions received from an Authorized Officer, deposit into the Rebate Fund moneys transferred by the School District to the Fiscal Agent pursuant to the Rebate Certificate or moneys transferred by the Fiscal Agent from the Reserve Fund. The Rebate Fund shall be held either uninvested or invested only in Federal Securities at the written direction of the School District. Moneys on deposit in the Rebate Fund shall be applied only to payments made to the United States, to the extent such payments are required by the Rebate Certificate. The Fiscal Agent shall, upon written request and direction of the School District, make such payments to the United States.

The Fiscal Agent's sole responsibilities under this Section are to follow the written instructions of the School District pertaining hereto. The School District shall be responsible for any fees and expenses incurred by the Fiscal Agent pursuant to this Section.

The Fiscal Agent shall, upon written request and direction from the School District, transfer to or upon the order of the School District any moneys on deposit in the Rebate Fund in excess of the amount, if any, required to be maintained or held therein in accordance with the Rebate Certificate.

THE FISCAL AGENT

Appointment of Fiscal Agent

The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in the Agreement, and no implied covenants or obligations shall be read into Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to the Fiscal Agent without the execution or filing of any paper or any further act, anything in the Agreement to the contrary notwithstanding.

The School District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the School District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the School District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Fiscal Agent shall have given to the School District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent, at the expense of the School District, or any Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

Liability of Fiscal Agent

The recitals of facts, covenants and agreements in the Agreement and in the Bonds contained shall be taken as statements, covenants and agreements of the School District and the District, and the Fiscal Agent assumes no responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of the Agreement or of the Bonds, nor shall the Fiscal Agent incur any responsibility in respect thereof, other than in connection with the duties or obligations in the Agreement or in the Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the requirements of the Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of the Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be liable for any error of judgment made in good faith by the Fiscal Agent unless it shall be proved that the Fiscal Agent was negligent in ascertaining the pertinent facts.

No provision of the Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

The Fiscal Agent shall not be responsible for accounting for, or paying to, any party to the Agreement, including, but not limited to the School District and the Owners, any returns on or benefit from funds held for payment of unredeemed Bonds or outstanding checks and no calculation of the same shall affect, or result in any offset against, fees due to the Fiscal Agent under the Agreement.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by the Agreement at the request or direction of any of the Owners pursuant to the Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnification and releases from liability granted in the Agreement to the Fiscal Agent shall extend to the directors, officers and employees of the Fiscal Agent.

MODIFICATION OR AMENDMENT OF THE AGREEMENT

Amendments Permitted

(A) The Agreement and the rights and obligations of the School District and the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote at a meeting of the Owners, or with the written consent, without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Agreement. No such modification or amendment shall (i) extend the maturity of any Bond or the time for paying interest thereon, or otherwise alter or impair the obligation of the School District on behalf of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, (ii) permit the creation of any pledge of or lien upon the Special Tax Revenues, or the moneys on deposit in the Bond Fund or the Reserve Fund, superior to or on a parity with the pledge and lien created for the benefit of the Bonds (except as otherwise permitted by the Act, the laws of the State of California or the Agreement), (iii) reduce the percentage of Bonds required for the amendment hereof, or (iv) reduce the principal amount of or redemption premium on any Bond or reduce the interest rate thereon. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent. The School District shall deliver to the Fiscal Agent an opinion of counsel that any such Supplemental Agreement entered into by the School District and the Fiscal Agent complies with the provisions of this Section and the Fiscal Agent may conclusively rely on such opinion.

(B) The Agreement and the rights and obligations of the School District and the District and the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the School District in the Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power in the Agreement reserved to or conferred upon the School District;

(2) to make modifications not adversely affecting any Outstanding Bonds of the District in any material respect;

(3) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions of the Agreement, or in regard to questions arising under the Agreement, as the School District and the Fiscal Agent may deem necessary or desirable and not inconsistent with the Agreement, and which shall not adversely affect the rights of the Owners; or

(4) to make such additions, deletions or modifications as may be necessary or desirable to assure compliance with Section 148 of the Code relating to required rebate of moneys to the United States or otherwise as may be necessary to assure exclusion from gross income for federal income tax purposes of interest on the Bonds or to conform with the Regulations.

Owners' Meetings

The School District may at any time call a meeting of the Owners. In such event, the School District is authorized to fix the time and place of any such meeting and to provide for the giving of notice thereof and to fix and adopt rules and regulations for the conduct of the meeting.

Procedure for Amendment with Written Consent of Owners

The School District and the Fiscal Agent may at any time enter into a Supplemental Agreement amending the provisions of the Bonds or of the Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by the Agreement, to take effect when and as provided in this Section. A copy of the Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Fiscal Agent to each Owner of Bonds Outstanding, but failure to mail copies of the Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such a Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in the Agreement) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given, which proof shall be such as is permitted by the Agreement. Any such consent shall be binding upon the Owner of the Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Agreement, the School District shall mail a notice to the Owners in the manner provided in the Agreement for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the documents required by this Section to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the School District, the District and the Owners of all Bonds then Outstanding at the expiration of sixty

(60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60)-day period.

Effect of Supplemental Agreement

From and after the time any Supplemental Agreement becomes effective pursuant to this Article, the Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Agreement of the School District and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of the Agreement for any and all purposes.

DISCHARGE OF THE AGREEMENT

If the School District shall pay and discharge the entire indebtedness on all Outstanding Bonds or both in any one or more of the following ways:

(A) by well and truly paying or causing to be paid the principal of and interest and any premium on all such Bonds, as and when the same become due and payable;

(B) by depositing with the Fiscal Agent, in trust, at or before maturity, an amount of money which, together with the amounts then on deposit in the Special Tax Fund, including the Surplus Account (which is available to pay Debt Service on the Bonds), the 2004 Series A, Subordinate Bonds Interest Account, the 2004 Series A, Subordinate Bonds Principal Account and the Reserve Fund, is fully sufficient to pay all such Bonds, (including all principal, interest and redemption premiums, if any); or

(C) by irrevocably depositing with the Fiscal Agent, in trust, cash or non-callable Federal Securities in such amount as the School District shall determine, as confirmed by an Independent Financial Consultant, will, together with the interest to accrue thereon and amounts then on deposit in the Special Tax Fund, including the Surplus Account (which is available to pay Debt Service on the Bonds), the 2004 Series A, Subordinate Bonds Interest Account, the 2004 Series A, Subordinate Bonds Principal Account and the Reserve Fund, be fully sufficient to pay and discharge the indebtedness on all such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in the Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice; then, at the election of the School District, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Special Tax Revenues and other funds provided for in the Agreement and all other obligations of the School District and the District under the Agreement with respect to such Bonds shall cease and terminate, except the obligation of the School District to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon, the obligation of the School District to pay all amounts owing to the Fiscal Agent pursuant to the Agreement, and the obligations of the School District pursuant to the covenants to comply with certain sections of the Code to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; and thereafter Special Taxes shall not be payable to the Fiscal Agent. Notice of such election shall be filed with the Fiscal Agent. The satisfaction and discharge of the Agreement shall be without prejudice to the rights of the Fiscal Agent to charge and be reimbursed by the School District for the expenses which it shall thereafter incur in connection herewith.

Any funds held by the Fiscal Agent to pay and discharge the indebtedness on such Bonds, upon payment of all fees and expenses of the Fiscal Agent, which are not required for such purpose, shall be paid over to the School District.

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

(Delivery Date)

Board of Education
Riverside Unified School District
3380 14th Street
Riverside, California 92501

Re: $1,955,000 Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Riverside Unified School District (the "School District") for Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District, County of Riverside, State of California (the "District"), of $1,955,000 aggregate principal amount of the Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds) (the "Bonds"). The Bonds are issued pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), a resolution adopted by the Board of Education of Riverside Unified School District on September 20, 2004 (the "Resolution"), and a Fiscal Agent Agreement, dated as of December 1, 2004 (the "Agreement"), between the School District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent").

We have examined the Act, the Resolution, the Agreement and certified copies of the proceedings taken for the issuance and sale of the Bonds. As to questions of fact which are material to our opinions, we have relied upon the representations of the School District contained in the Agreement and in certificates of its authorized officers which have been delivered to us for the purpose of supplying such facts, without having undertaken to verify the accuracy of any such representations by independent investigation.

Based upon such examination, we are of the opinion, as of the date hereof, that the proceedings referred to above have been taken in accordance with the laws and the Constitution of the State of California, and that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered to and paid for by the purchaser thereof, and the Agreement having been duly authorized and executed by the proper officials, constitute the legally valid and binding obligations of the District enforceable in accordance with their terms subject to the qualifications specified below. Except where funds are otherwise available, as may be permitted by law, the Bonds are payable, as to both principal and interest, solely from certain special taxes to be levied and collected within the District and other funds available therefor held under the Agreement.

The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain investment, rebate and related requirements which must be met subsequent to the issuance and delivery of the Bonds for the interest on the Bonds to be and remain exempt from federal income taxation. Noncompliance with such requirements could cause the interest on the Bonds to be subject to federal income taxation retroactive to the date of issuance of the Bonds. Pursuant to the Agreement, the School District has covenanted to comply with the requirements of the Code and applicable regulations promulgated thereunder.

We are of the opinion that, under existing statutes, regulations, rulings and court decisions, and assuming compliance by the School District with the aforementioned covenants, the interest on the Bonds is excluded from gross income for purposes of federal income taxation and is exempt from personal income taxation imposed by the State of California.

We are further of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions of the Code. However, interest on the Bonds received by corporations will be included in corporate adjusted current earnings, a portion of which may increase the alternative minimum taxable income of such corporations.

Although interest on the Bonds is excluded from gross income for purposes of federal income taxation, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these tax consequences will depend on the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

The opinions expressed herein may be affected by actions which may be taken (or not taken) or events which may occur (or not occur) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur or are not taken or do not occur.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by RIVERSIDE UNIFIED SCHOOL DISTRICT, on behalf of Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District, (the "Issuer") and U.S. Bank National Association., a national banking association duly organized and existing under the laws of the United States of America (the "Dissemination Agent") in connection with the issuance of the $1,955,000 Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District Special Tax Bonds, 2004 Series A (Subordinate Lien Bonds) (the "Bonds"). The Bonds are being issued pursuant to a Fiscal Agent Agreement dated as of December 1, 2004 (the "Fiscal Agent Agreement") between the Issuer and U.S. Bank National Association, as Fiscal Agent (the "Fiscal Agent"). The Issuer and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Fiscal Agent Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Reports provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"District" shall mean Community Facilities District No. 7 (Victoria Grove) of Riverside Unified School District.

"Disclosure Representative" shall mean the Controller of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Fiscal Year" shall mean the twelve month period beginning on July 1 of each year and ending on June 30 of the following year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
P. O. Box 840
Princeton, NJ 08542-0840
(609) 279-3200
FAX (609) 279-5962
Internet address: Munis@Bloomberg.com

Standard & Poor's
J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
(212) 438-4595
FAX (212) 438-3975
Internet address: nrmsir_repository@sandp.com

DPC Data Inc.
NRMSIR
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701
FAX (201) 947-0107
Internet address: nrmsir@dpcdata.com

Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
(212) 771-6999
FAX (212) 771-7390
Internet address: NRMSIR@interactivedata.com

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds. The Participating Underwriter is UBS Financial Services, Inc. whose address is: 777 South Figueroa Street, 50th Floor, Los Angeles, CA 90017.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean 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.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule. As of the date of this Disclosure Agreement, there is no State Repository.

"Tax-exempt" shall mean that interest on the Bonds is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

Section 3. <u>Provision of Annual Reports.</u>

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than January 31 of each year, commencing January 31, 2005, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. The information contained or incorporated in each Annual Report shall be for the Fiscal Year which ended on the preceding June 30. The Issuer shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certifications of the Issuer and shall have no duty or obligation to review any such Annual Report.

(b) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date specified in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Attachment A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(d) The Issuer shall, or if received by the Dissemination Agent, the Dissemination Agent shall, deliver a copy of each Annual Report to the Participating Underwriter at the time the Annual Report is provided to the Repositories in accordance with this section.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or incorporate by reference the following:

1. The audited financial statements of the Issuer for the most recent fiscal year of the Issuer then ended.

2. The principal amount of the Bonds outstanding.

3. The balance on deposit in the Reserve Fund.

4. Any failure of the Issuer or the Fiscal Agent to pay principal of or interest on and principal of the Bonds on any scheduled payment date since the date of the last Annual Report.

5. The amount of any funds withdrawn from the Reserve Fund to pay principal of and interest on the Bonds since the date of the last Annual Report.

6. Information regarding delinquent special taxes for the District, including the total amount of the special tax levy, the amount of taxes delinquent as of June 30 of the Fiscal Year in which the taxes were levied, and the current total delinquent amount.

7. Information regarding the commencement and status of any superior court foreclosure proceeding which has been brought or is pending to collect delinquent special taxes levied on parcels of property in the District.

8. The number of building permits which were issued by the County of Riverside for the construction of single family homes in the District in the preceding Fiscal Year and prior to January 1 of the year in which the Annual Report is being filed and the total number of building permits which have been issued by the County for the District.

9. The number of occupancy permits which were issued by the County for single family homes in the District in the preceding Fiscal Year and prior to December 1 of the year in which the Annual Report is being filed.

10. Information regarding the number of parcels of property in the District as to which the County Assessor's assessment roll for the current Fiscal Year shows a change in ownership from the home builder to a homeowner as compared to the assessment roll for the preceding Fiscal Year and the total number of parcels of property in the District which according to the assessment roll are owned by persons other than a home builder.

11. Information regarding the full cash value of all of the land and improvements, as determined by the County Assessor of the County of Riverside (the "Assessor") within the District, as shown on the Assessor's assessment roll ("assessed value"), for the Fiscal Year as to which the Annual Report is being filed, including the number of lots for which the assessed value is for land only and the number of lots for which the assessed value is for both land and improvements and the total amount of such assessed value for each such category. For all Fiscal Years after the first Fiscal Year in which the assessed value for all lots in the District includes both land and improvements, the Annual Report shall include only the total amount of the assessed value for all lots in the District.

12. Information regarding the formation of any community facilities districts or assessment districts of which the Issuer has knowledge that will result in the levy of additional special taxes or assessments on parcels of property in the District for the payment of debt service on bonds.

13. Information regarding the filing and contents of any notice of any Listed Event which has been filed pursuant to Section 5 of this Disclosure Agreement since the date of the last Annual Report.

14. A copy of any report filed by the Issuer with the California Debt and Investment Advisory Commission under the requirements of the Fiscal Agent Agreement since the date of the last Annual Report.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

Audited financial statements of the Issuer shall be audited by such auditor as shall then be required or permitted by the laws of the State of California or the Fiscal Agent Agreement. Audited financial statements, if prepared by the Issuer, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the Governmental Accounting Standards Board; provided, however, that the Issuer may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the Issuer shall modify the basis upon which its financial statements are prepared, the Issuer shall provide a notice of such modification to each Repository, including the reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give or cause to be given, notice of the occurrence of any of the following event:

1. Delinquency in payment when due of any principal of or interest on the Bonds.

2. Occurrence of any default under the Fiscal Agent Agreement (other than as described in clause (1) above).

3. Amendment to or modification of the Fiscal Agent Agreement or this Disclosure Agreement modifying the rights of the Owners of the Bonds.

4. Giving of a notice of optional or unscheduled redemption of any of the Bonds.

5. Defeasance of the Bonds or any portion thereof.

6. Any change in any rating on the Bonds.

7. Adverse tax opinions or events affecting the Tax-exempt status of the Bonds.

8. Any unscheduled draw on the Reserve Fund or any account therein reflecting financial difficulties.

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

10. Substitution of credit or liquidity providers, or their failure to perform.

11. The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security).

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events (except events listed in clauses (a)(1), (4) or (5)), or as soon as is reasonably possible, with no obligation to determine the materiality thereof, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For the purpose of this Disclosure Agreement "actual knowledge" means actual knowledge at the corporate trust office of the Dissemination Agent by an officer of the Dissemination Agent with responsibility for matters related to the administration of the Fiscal Agent Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would constitute material information for Owners of the Bonds under applicable Federal securities law, provided that any event under subsection (a) (6) will always be deemed to be material.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing:

(i) Notice of the occurrence of a Listed Event described in subsections (a)(1), (4) or (5) shall be given by the Dissemination Agent unless the Issuer gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) Notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of the affected Bonds pursuant to the Fiscal Agent Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The Issuer 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 initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty (30) days written notice to the Issuer and the Fiscal Agent. If at any time there is no designated Dissemination Agent appointed by the Issuer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment requested by the Issuer, provided the Dissemination Agent 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, if such amendment or waiver is supported by an opinion of counsel expert in Federal securities law, acceptable to both the Issuer and the Dissemination Agent, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer 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.

Section 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of the Dissemination Agent. Article VII of the Fiscal Agent Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Fiscal Agent Agreement. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Fiscal Agent under said Article VII. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer 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 arising out of or in the exercise or performance of its duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed by the Issuer all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder but solely from amounts in the Administrative Expense Fund established under the Fiscal Agent Agreement. Neither the Dissemination Agent nor the Fiscal Agent shall have any duty or obligation to review any information provided to it hereunder or shall be deemed to be acting in any fiduciary capacity for the Issuer, the owners of the Bonds or any other party. The obligations of the Issuer under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any document or any further act.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and the Owners from time to time of the 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.

Dated: December 1, 2004

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: ______________________________
Assistant Superintendent, Operations

U.S. BANK NATIONAL ASSOCIATION

By:______________________________
Authorized Officer

ATTACHMENT A
NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: RIVERSIDE UNIFIED SCHOOL DISTRICT

Name of Bond Issue: COMMUNITY FACILITIES DISTRICT NO. 7 (VICTORIA GROVE) OF RIVERSIDE UNIFIED SCHOOL DISTRICT SPECIAL TAX BONDS, 2004 SERIES A (SUBORDINATE LIEN BONDS)

Date of Issuance: December 2, 2004

NOTICE IS HEREBY GIVEN that the Issuer of has not provided an Annual Report with respect to the above-referenced Bonds as required by the Continuing Disclosure Agreement dated as of December 1, 2004 between the Issuer and U.S. Bank National Association, as Fiscal Agent. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: _________________

U.S. BANK NATIONAL ASSOCIATION
as Dissemination Agent on Behalf of the Issuer

By: ______________________ __
Authorized Officer

APPENDIX F

SUPPLEMENTAL INFORMATION REGARDING RIVERSIDE UNIFIED SCHOOL DISTRICT

The following information concerning Riverside Unified School District (the "School District") is included only for the purpose of supplying general information regarding the School District. The Bonds are neither general or special obligations of the School District.

Organization

The School District, which currently operates 40 schools from kindergarten through twelfth grade, an adult education school and a special education preschool, serves an area of approximately 96 square miles within Riverside County.

The School District has operated as a school district under the laws of the State of California continuously since 1871. Prior to 1963, there were three different school districts in the region. The School District was unified in 1963.

The School District is governed by an independent Board of Education of five members who are elected at large to overlapping four-year terms. The School District's affairs are administered by the Superintendent, who is appointed by the Board of Education.

Facilities, Personnel and Attendance

The School District encompasses three-quarters of the City of Riverside and an unincorporated area of Riverside County. Approximately 75% of the area of the School District is within the City of Riverside and the other 25% is in the unincorporated County area.

The School District is a unified school district organized under the laws of the State of California and has operated as a school district continuously since 1871. The existing unified district was formed on July 1, 1963 through the combining of the Riverside City School District and the Riverside City High School District. The School District is a public agency of the State, reporting its activities to the State through the Riverside County Superintendent of Schools. The School District provides public education within an approximately 96 square mile area in Riverside County, California. Approximately 75% of the District's territory is within the City of Riverside (with the exception of the La Sierra area) and approximately 25% is within the unincorporated portions of Riverside County, including the areas of Highgrove, Woodcrest and Mockingbird Canyon.

The School District's headquarters are located at 3380 14th Street, Riverside, California 92501. Currently, the District operates 29 elementary schools (K-6th grade), 6 middle schools (7th-8th grade), 5 high schools (9th-12th grade), one special education school for the severally handicapped, two continuation high schools and one adult education facility.

As of October 1, 2003, the School District had an enrollment of 41,688 students with 2,206 certificated employees and 1,571 classified employees.

Average daily attendance at the School District's schools has increased from 34,590 in fiscal year 1994/95 to 41,688 in fiscal year 2003/04. Shown below is the School District's average daily-attendance, excluding the students enrolled in the adult education and preschool program, for fiscal years 1994/95 through 2003/04.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Average Daily Attendance

1994/95	34,590
1995/96	35,884
1996/97	36,310
1997/98	36,960
1998/99	36,416
1999/00	35,924
2000/01	35,895
2001/02	37,363
2002/03	40,715
2003/04	41,688

Source: Riverside Unified School District.

School District Employees

The following table sets forth the number of certificated and classified employees of the School District over the last three years. Some employees are hired under federal and state funded programs.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Certificated and Classified Employees

Year	Certificated	Classified	Total
1997/98	1,966	1,508	3,474
1998/99	2,041	1,506	3,547
1999/00	2,071	1,522	3,593
2000/01	2,141	1,600	3,741
2001/02	2,116	1,576	3,692
2002/03	2,119	1,254	3,373
2003/04	2,206	1,571	3,777

Source: Riverside Unified School District.

School District Growth

The School District has experienced significant population and student enrollment growth in the past several years. Between Fiscal Years 1989/90 or 2003/04, total enrollment within the School District increased approximately 27%. The following table sets forth the second month enrollment for the School District for the Fiscal Years 1989/90 through 2003/04.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Student Enrollment

Fiscal Year	District Enrollment
1989/90	30,257
1991/92	32,490
1992/93	33,529
1993/94	33,624
1994/95	34,662
1995/96	35,055
1996/97	35,368
1997/98	35,878
1998/99	36,743
1999/00	37,632
2000/01	38,150
2001/02	39,688
2002/03	40,830
2003/04	41,684

Source: Riverside Unified School District.

Capital Plan

The School District anticipates that the costs for the construction, acquisition and installation of the additional school facilities to accommodate this projected future growth in students will be financed at least in part by the California Leroy F. Greene State School Facilities Program (the "California State School Facilities Program"), in which the School District participates. There can be no assurance, however, that the funds from such program will be sufficient to finance all or part of these additional school facilities. If no funds or insufficient funds are received by the School District from the California State School Facilities Program, the School District intends to provide the necessary funds from other available sources, including the proceeds of General Obligation Bond and/or Mello-Roos Community Facilities District Bond issues.

Assessed Valuation

The following table summarizes the historical assessed valuation of property within the School District.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Assessed Valuation

Fiscal Year	Total
1996/97	$8,516,047,911
1997/98	8,542,155,935
1998/99	8,714,724,716
1999/00	9,176,598,564
2000/01	9,891,512,995
2001/02	10,816,589,252
2002/03	11,866,712,709
2003/04	12,560,004,942

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