

RESOLUTION NO. (next in order)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS, CALIFORNIA, APPROVING AN AGREEMENT RELATED TO THE PREPAYMENT OF CERTAIN SPECIAL TAXES, REMOVAL OF CERTAIN PROPERTY, AND ANNEXATION OF CERTAIN PROPERTY TO COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC HERITAGE) OF THE CITY OF PERRIS AND CERTAIN RELATED MATTERS

WHEREAS, the City Council (the "Council") of the City of Perris (the "City"), has previously undertaken proceedings ("Proceedings") to form the Community Facilities District No. 2007-2 (Pacific Heritage) (the "District") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the "Act") being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California; and

WHEREAS, pursuant to the Proceedings, including elections held in connection with the Proceedings on January 8, 2008 the District is authorized to levy a special tax within the District pursuant to the Rate and Method of Apportionment attached to the below referenced and defined CFD Agreement ("RMA") in order to fund public improvements and fees; and

WHEREAS, owners of property within the District are affiliated with, and managed by, Pacific Communities Builder, Inc., a California Corporation (the "Developer"). Perris Homes, LLC is the owner of the undeveloped property within "Zone 1" of the District (the "Zone 1 Property"), and Magnolia, LP is the owner of all of the property currently within "Zone 2" of the District (the "Existing Zone 2 Property"); and

WHEREAS, Pelican Landing, LP is the owner of additional property in the City planned for 128 single family homes within Tentative Tract Map No. 32497 and proposed to be annexed into the District (the "Annexation Property"); and

WHEREAS, there has been filed with the City Clerk that certain "Deposit and Reimbursement Agreement," (the "Deposit and Reimbursement Agreement") by and between the City, for and behalf of the District, and the Developer, as developer of the property which includes the Zone 1 Property, the Annexation Property and the Existing Zone 2 Property (collectively, the "Property"); and

WHEREAS, the Deposit and Reimbursement Agreement, the form of which is attached hereto as Exhibit A and by this reference incorporated herein, provides for the deposit with City, on behalf of the District, of certain funds to cover City expenses in connection with the creation, annexation and modification of a community facilities district comprising said Property, and providing the means by which such deposit may be reimbursed to the Developer, such reimbursement to come from the proceeds from, and only from, the sale of special tax revenue bonds to be issued pursuant to the Act; and

WHEREAS, the Council finds that the approval and execution of the Deposit and Reimbursement Agreement is in the best interest of the City and does not put the general funds of the City at risk; and

WHEREAS, the Council desires that Wells Fargo Bank, National Association (“Wells Fargo”) hold and disburse such funds as agent for the City pursuant to the Deposit and Reimbursement Agreement;

WHEREAS, there has also been filed with the City Clerk that certain CFD Agreement (“CFD Agreement”), by and between the owners of the Property, the Developer and the City, on behalf of the District, that certain CFD Agreement, which is incorporated herein by this reference and attached hereto as Exhibit B; and

WHEREAS, the CFD Agreement describes the representations of the owners of the Property and Developer related to its requests to memorialize (i) the prepayment of special taxes and remaining special taxes which will be levied within the District due to the fact that certain property owners have been paying special taxes of the District over the prior period of 11 years since Fiscal Year 2008-09, (ii) that the Property owner desires that the Annexation Property will be annexed into Zone 2 of the District, (iii) the owner of the Existing Zone 2 Property and the Developer have requested to prepay the special taxes of the District for zero dollars and cancel the special tax lien for the Existing Zone 2 Property and remove the property from the District because the property is not expected to develop for many years and the Annexation Property essentially replaces the Existing Zone 2 Property, and (iv) memorialization of a maximum special tax reduction to meet the requirements of the RMA and the City’s policies; and

WHEREAS, this matter was duly noticed and agendized, and all written and oral testimony has been received in connection with this matter.

THE CITY COUNCIL OF THE CITY OF PERRIS HEREBY FINDS, DETERMINES, AND RESOLVES AS FOLLOWS:

Section 1. Recitals Incorporated. The foregoing Recitals are incorporated herein as if set forth in full.

Section 2. Deposit and Reimbursement Agreement. That the Deposit and Reimbursement Agreement is hereby approved in substantially the form thereof with such changes as may be approved by the City Manager, the execution thereof to be conclusive approval of any such changes. That the City Manager or Finance Director of the City is hereby authorized and directed to execute the Deposit and Reimbursement Agreement in substantially the form attached hereto for and on behalf of the City, with such changes as may be agreed to by the City Manager.

Section 3. CFD Agreement. That the CFD Agreement is hereby approved in substantially the form thereof with such changes as may be approved by the City Manager, the

execution thereof to be conclusive approval of any such changes. That the City Manager or Finance Director of the City is hereby authorized and directed to execute the CFD Agreement in substantially the form attached hereto for and on behalf of the City, with such changes as may be agreed to by the City Manager.

Section 4. Severability. If any section, subsection, subdivision, sentence, clause, phrase or portion of this Resolution is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Resolution. The City Council hereby declares that it would have adopted this Resolution, and each section, subsection, subdivision, sentence, clause, phrase, or portions thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases or portions thereof be declared invalid or unconstitutional.

Section 5. Effective Date. This Resolution shall be effective immediately.

Section 6. Certification. The City Clerk shall certify as to the passage and adoption of this Resolution and shall cause the same to be posted at the designated locations in the City of Perris.

ADOPTED, SIGNED and APPROVED this 30th day of July, 2019.

MAYOR, MICHAEL M. VARGAS

ATTEST:

CITY CLERK, NANCY SALAZAR

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)
CITY OF PERRIS)

I, Nancy Salazar, CITY CLERK OF THE CITY OF PERRIS, DO HEREBY CERTIFY that the foregoing Resolution Number (next in order) was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 30th day of July, 2019, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

CITY CLERK, NANCY SALAZAR

EXHIBIT "A"

DEPOSIT AND REIMBURSEMENT AGREEMENT

[On Following Pages]

DEPOSIT AND REIMBURSEMENT AGREEMENT

THIS DEPOSIT AND REIMBURSEMENT AGREEMENT (this “Deposit Agreement”), dated _____, 2019, is by and between the City of Perris, California (the “City”), on behalf and acting for the Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris (the “Community Facilities District” or “District”), and Pacific Communities Builder, Inc., a California corporation, on behalf of the owners of the property described herein (the “Owner”). The City, Community Facilities District and the Owner are sometimes referred to herein as “Parties”.

RECITALS

WHEREAS, the City Council of the City (the “City Council”) has undertaken proceedings to form Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris, pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 (constituting Sections 53311 et seq. of the California Government Code (the “Act”)); and

WHEREAS, on January 8, 2008 the City Council adopted the resolution of formation, ordering the formation of the Community Facilities District; and

WHEREAS, Owner is the current developer of certain real property identified on Exhibit C attached hereto and incorporated herein by this reference; and

WHEREAS, the Community Facilities District was initially established to encompass Tentative Tract Nos. 31225 and 31226; and

WHEREAS, Tract No. 31226 has been recorded and partially developed with 35 homes built and sold to individual owners, however, due to market forces, Tentative Tract No. 31225 has expired and is not expected to develop in the near future; and

WHEREAS, after the Community Facilities District was formed, Owner acquired additional property within the City identified as Tentative Tract No. 32497, which such property is expected to begin development at the end of 2019; and

WHEREAS, Owner has requested from the City to commence proceedings in order to annex the real property in Tentative Tract No. 32497 into the Community Facilities District and to prepay the special taxes for the property previously identified as Tentative Tract No. 31225 pursuant to the Rate and Method of Apportionment for the Community Facilities District because it is not likely to be developed for many years; and

WHEREAS, in accordance with the formation documents, the Community Facilities District may only levy special taxes through fiscal year 2047/48; and

WHEREAS, the Owner expects that the above modification of the Community Facilities District and Owner’s development in Tract Nos. 31226 and 32497 will be sufficient to, pursuant to City policies, allow the Community Facilities District to issue bonds; and

WHEREAS, the Parties wish to undertake a validation action to confirm the legality of the provisions of the modification and related actions thereto; and

WHEREAS, in accordance with City's policy regarding use of the Act, the Owner is required to compensate the City for all costs incurred in the formation, annexation and other modifications to the Community Facilities District and issuance of bonds for the Community Facilities District; and

WHEREAS, Section 53314.9 of the Act provides that, at any time either before or after the formation of a community facilities district, the legislative body may accept advances of funds from any source, including, but not limited to, private persons or private entities and may provide, by resolution, for the use of those funds for any authorized purpose, including, but not limited to, paying any cost incurred by the local agency in creating a community facilities district (including the issuance of bonds thereby); and

WHEREAS, Section 53314.9 of the Act further provides that the legislative body may enter into an agreement, by resolution, with the person or entity advancing the funds, to repay all or a portion of the funds advanced, as determined by the legislative body, with or without interest under all of the following conditions: (a) the proposal to repay the funds is included in both the resolution of intention to establish a community facilities district adopted pursuant to Section 53321 of the Act and in the resolution of formation to establish the community facilities district pursuant to Section 53325.1 of the Act (including the issuance of bonds thereby), (b) any proposed special tax is approved by the qualified electors of the community facilities district pursuant to the Act, and (c) any agreement shall specify that if the qualified electors of the community facilities district do not approve the proposed special tax, the local agency shall return any funds which have not been committed for any authorized purpose by the time of the election to the person or entity advancing the funds; and

WHEREAS, with respect to the original Community Facilities District, the qualified electors approved the special taxes at the time of the formation of the Community Facilities District; and

WHEREAS, with respect to the annexed property, the qualified voters will be required to approve the annexation; and

WHEREAS, the City and the Owner desire to enter into this Deposit Agreement in accordance with the Act in order to provide for the advancement of funds by the Owner to be used to pay costs incurred in connection with the modification and annexation of the Community Facilities District and issuance of special tax bonds for the Community Facilities District (the "Bonds"), and to provide for the reimbursement to the Owner of such funds advanced, without interest, from the proceeds of any Bonds.

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

Section 1. The Deposit and Application Thereof.

(a) Owner shall make a deposit in the amount of \$130,000 (the "Initial Deposit"). The City, by its execution hereof, acknowledges receipt of, and accepts, the Initial Deposit.

(b) Reserved.

(c) City hereby agrees and Owner hereby acknowledges that U.S. Bank National Association ("US Bank") shall hold the Initial Deposit and any subsequent deposits pursuant to (d) hereof as agent for the City. City hereby instructs US Bank to establish a deposit account and concurrently with the execution hereof, deposit the Initial Deposit in a designated deposit account ("Deposit Account") at US Bank, 633 W. Fifth Street, 24th Floor Los Angeles, CA 90071. Upon its receipt of the Initial Deposit, US Bank shall be entitled to deduct therefrom its fee for holding and disbursing the Initial Deposit and any subsequent deposits pursuant to the terms of the Deposit Agreement. Upon receipt thereof, US Bank shall deposit the Initial Deposit and any subsequent deposit in the Deposit Account.

(d) The Initial Deposit, together with the such additional amounts as may be requested by City and any subsequent deposit required to be made by the Owner pursuant to the terms hereof (collectively, the "Deposits"), are to be used to pay for any costs incurred for any authorized purpose in connection with the modification of the Community Facilities District and the issuance of the Bonds (other than costs, fees and expenses to be paid out of the proceeds of the Bonds), including, without limitation, (i) the fees and expenses of any consultants to the City employed in connection with the modification of the Community Facilities District and the issuance of the Bonds, including an engineer, special tax consultant, financial advisor, bond counsel and any other consultant deemed necessary or advisable by the City, (ii) the costs of appraisals, market absorption and feasibility studies and other reports deemed necessary or advisable by the City in connection with the modification/ annexation of the Community Facilities District and issuance of the Bonds, (iii) the costs of publication of notices, preparation and mailing of ballots and other costs related to any hearing, election or other action or proceeding undertaken in connection with the modification of the Community Facilities District and issuance of the Bonds, (iv) reasonable charges for City staff time incurred in connection with the modification of the Community Facilities District and the issuance of the Bonds by the Community Facilities District, including a reasonable allocation of City overhead expense related thereto, (v) the fees and expenses related to undertaking a validation action before the Superior Court of California to confirm the legality of the actions contemplated herein and any appeals thereof, including but not limited to, staff time, attorneys' fees and consultant's fees, if any, and (vi) any and all other actual costs and expenses incurred by the City in connection with the modification or validation action of the Community Facilities District and the issuance of the Bonds (collectively, the "Initial Costs"). The City may as provided in subsection (f) hereof draw upon the Deposits from time to time to pay the Initial Costs. US Bank shall have no duty or responsibility to confirm that amounts withdrawn at the direction of the City have been or will be spent on Initial Costs.

(e) If, at any time, the unexpended and unencumbered balance of the Deposits (then currently in the Deposit Account) is less than \$20,000, the City may request, in writing, that the Owner make an additional deposit in an amount estimated by the City to be sufficient, together with any such unexpended and unencumbered balance, to pay for all Initial Costs. The Owner shall make such additional deposit with the City within two weeks of the receipt by the Owner of the

City's written request therefor. If the Owner fails to make any such additional deposit within such two week period, the City may cease all work related to the issuance of the Bonds.

(f) The Deposits shall be kept separately at US Bank and shall be invested in US Bank Money Market Deposit Account identified in Exhibit B and the City shall at all times maintain records as to the expenditure of the Deposits.

(g) The City shall draw upon the Deposits to pay the Initial Costs by presentation of a disbursement request (the "Request") to US Bank in the form attached hereto as Exhibit A and by this reference incorporated herein. The City shall cause US Bank to pay such Initial Costs pursuant to the Request.

(h) The City shall provide the Owner with a written summary of expenditures made from the Deposits upon a reasonable request of Owner, and the unexpended balance thereof, within thirty business days of receipt of the City of a written request therefor submitted by the Owner. The cost of providing any such summary shall be charged to the Deposits.

(i) Notwithstanding anything herein to the contrary, City may limit reimbursement under this Agreement to \$75,000 in its sole discretion in order to limit the costs of issuance related to the Bonds. Such limitation does not permit the Developer to stop paying for the fees and costs to be paid pursuant to this Agreement or the District.

Section 2. Return of Deposits; Reimbursement.

(a) As provided in Section 53314.9 of the Act and this Agreement, the approval by the qualified electors of the Community Facilities District or annexed property thereto of the proposed special tax to be levied therein and the issuance of Bonds secured thereby is a condition to the repayment to the Owner of the funds advanced by the Owner pursuant hereto. Therefore, if the qualified electors of the Community Facilities District or the proposed annexed property do not approve the proposed special tax to be levied thereon, the City shall have no obligation to repay the Owner any portion of the Deposits expended or encumbered to pay Initial Costs. In accordance with Section 53314.9 of the Act, if the qualified electors of the Community Facilities District or annexed property thereto do not approve the proposed special tax to be levied therein, the City shall cause US Bank to return to the Owner any portion of the Deposits which have not been expended or encumbered to pay Initial Costs by the time of the election on said proposed special tax should the Owner so request.

(b) If proceedings for the issuance of the Bonds are terminated, the City shall, within thirty business days after official action by the City or the Community Facilities District to terminate said proceedings, cause US Bank to return the then unexpended and unencumbered portion of the Deposits to the Owner.

(c) If the Bonds are issued by the Community Facilities District, the City shall reimburse the Owner, without interest, for the portion of the Deposits that has been expended or encumbered, said reimbursement to be made within thirty business days after the issuance of such Bonds, solely from the proceeds of such Bonds and only to the extent otherwise permitted under the Act and subject to the limitations in this Deposit Agreement. The City shall, within ten business

days after the issuance of such Bonds, return the then unexpended and unencumbered portion of the Deposits to the Owner, from the Deposit Account.

Section 3. Abandonment of Proceedings. The Owner acknowledges and agrees that the issuance of the Bonds shall be in the sole discretion of the Community Facilities District. No provision of this Deposit Agreement shall be construed as an agreement, promise or warranty of the City to issue the Bonds or take any other particular action.

Section 4. Deposit Agreement Not Debt or Liability of City. As provided in Section 53314.9(b) of the Act, this Deposit Agreement does not constitute a debt or liability of the City, but shall constitute a debt and liability of the Community Facilities District. The City shall not be obligated to advance any of its own funds to pay Initial Costs or any other costs incurred in connection with the issuance of the Bonds. No member of the City Council of the City and no officer, employee or agent of the City shall to any extent be personally liable hereunder.

Section 5. Outcome of the Validation Action. Because of the importance of the modifications contemplated herein, City requires and conditions that a validation action be undertaken before the Superior Court of California to establish the validity and enforceability under color of law of the modifications and related actions. If the validation action results in a final non-appealable judgement that the modifications and proposed actions contemplated comply with California law, then the City has the right, but not the obligation, to move forward with the proceedings contemplated herein. Subject to the limitations in Section 1(i), if the Superior Court of California determines that modifications is not allowed under California law, then the City shall have no obligation to move forward with the disallowed actions contemplated herein, between the Owner and the City, and shall have no obligation to repay the Owner any portion of the Deposits expended or encumbered to pay Initial Costs related to the disallowed actions.

Section 6. Notices. Any notices, requests, demands, documents, approvals or disapprovals given or sent under this Deposit Agreement from one Party to another (collectively, "Notices") may be personally delivered, transmitted by facsimile (FAX) transmission, or deposit with the United States Postal Service for mailing, postage prepaid, to the address of the other Party as stated in this Section. Notices shall be sent as follows:

If to City:	City of Perris Attn: City Manager 101 N. "D" Street Perris, California 92570 Telephone: (951) 943-6100 Fax No. (951) 943-4246
With a copy to:	Aleshire and Wynder LLP Attn: Eric Dunn, City Attorney 3880 Lemon Street Suite 520 Riverside, California 92501 Telephone: (951) 241-7338 Fax: (951) 300-0985

If to Owner:

Pacific Communities
Attn: Nelson Chung
1000 Dove St., Suite 300
Newport Beach, CA 92660
Telephone: (949) 660-8988
Fax:

With a copy to Owner's Financial
Consultant:

Zimmerman Group
Attn: Jim Zimmerman
28202 Cabot Road, Suite 620
Laguna Niguel, CA 92677
Telephone: (949) 542-7070
Fax: (949) 542-7076

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by e-mail, telex, telegram or telecopier upon the sender's receipt of an appropriate answerback or other written acknowledgement, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 7. California Law. This Deposit Agreement shall be governed and construed in accordance with the laws of the State of California. The Parties shall be entitled to seek any remedy available at law and in equity. All legal actions must be instituted in the Superior Court of the County of Riverside, State of California, in an appropriate municipal court in Riverside County, or in the United States District Court for the Central District of California.

Section 8. Successors and Assigns. This Deposit Agreement shall be binding upon and insure to the benefit of the successors and assigns of the Parties hereto.

Section 9. Counterparts. This Deposit Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 10. Other Agreements. The obligations of the Owner hereunder shall be that of a party hereto. Nothing herein shall be construed as affecting the City's or Owner's rights, or duties to perform their respective obligations, under other agreements, use regulations or subdivision requirements relating to the development. This Deposit Agreement shall not confer any additional rights, or waive any rights given, by either party hereto under any development or other agreement to which they are a party.

Section 11. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Deposit Agreement or of any

of its terms. References to section numbers are to sections in this Deposit Agreement, unless expressly stated otherwise.

Section 12. Interpretation. As used in this Deposit Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word “including” shall be construed as if followed by the words “without limitation.” This Deposit Agreement shall be interpreted as though prepared jointly by both Parties.

Section 13. No Waiver. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Deposit Agreement to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Deposit Agreement.

Section 14. Modifications. Any alteration, change or modification of or to this Deposit Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

Section 15. Severability. If any term, provision, condition or covenant of this Deposit Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Deposit Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

Section 16. Computation of Time. The time in which any act is to be done under this Deposit Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term “holiday” shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

Section 17. Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Deposit Agreement, and in signing this Deposit Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Deposit Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Deposit Agreement; and, they have freely signed this Deposit Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Deposit Agreement, and without duress or coercion, whether economic or otherwise.

Section 18. Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Deposit Agreement including, but not limited to, releases or additional agreements.

Section 19. Conflicts of Interest. No member, official or employee of City shall have any personal interest, direct or indirect, in this Deposit Agreement, nor shall any such member, official or employee participate in any decision relating to the Deposit Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

Section 20. Indemnification. The City, its successors and the Owner shall indemnify and hold US Bank harmless against any and all losses, claims, damages, liabilities, and expenses, including reasonable costs of investigation, counsel fees, including allocated costs of in-house counsel and disbursements that may be imposed on or incurred by the US Bank in connection with its duties, including but not limited to any litigation. This provision shall survive the termination of any other agreement.

Section 21. Patriot Act Compliance. To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust or other legal entity the US Bank will ask for documentation to verify its formation and existence as a legal entity. The US Bank may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. Each person agrees to provide all such information and documentation as to themselves as requested by US Bank to ensure compliance with federal law.

[Signatures on following page]

IN WITNESS WHEREOF, the Parties have executed this Deposit Agreement as of the respective dates set forth below.

“CITY”

CITY OF PERRIS, a municipal corporation

By: _____
City Manager

ATTEST:

CITY CLERK

By: _____
Nancy Salazar, City Clerk

“OWNER”

PACIFIC COMMUNITIES BUILDER, INC.

By: _____

Name: _____

Title: _____

**U.S. BANK, NATIONAL
ASSOCIATION, depository**

By: _____
Authorized Officer

EXHIBIT A

Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris

WRITTEN REQUEST NO. 1 FOR DISBURSEMENTS PURSUANT TO THE DEPOSIT AND REIMBURSEMENT AGREEMENT

The undersigned hereby states and certifies:

(i) That they are the duly qualified City Manager/Finance Director of the City of Perris, a municipal corporation duly organized and existing under the laws of the State of California (the "City") and as such, is familiar with the facts herein certified and is authorized and qualified to execute and deliver this certificate;

(ii) That they are authorized pursuant to the Deposit and Reimbursement Agreement, dated as of _____, 2019 (the "Agreement"), by and between the City of Perris and Pacific Communities Builders, Inc. relating to Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris (the "CFD");

(iii) That pursuant to Section 1 (g) of the Agreement, US Bank National Association is hereby directed to disburse this date from Account No. _____ (the "Account") to the payees, designated on Exhibit A attached hereto and by this reference incorporated herein, the respective sums set forth opposite such payees, in payment of certain expenses related to the CFD;

(iv) That each obligation shown on Exhibit A has been properly incurred and is a proper charge against the Account;

(v) That no item to be paid pursuant to this Written Request has been previously paid or reimbursed from the Account; and

(vi) That capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement.

Dated: _____

CITY OF PERRIS

City Manager

[Written Request for Disbursements from
Deposit and Reimbursement Agreement]

EXHIBIT A

Payee	Purpose	Amount
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EXHIBIT B

U.S. BANK NATIONAL ASSOCIATION MONEY MARKET ACCOUNT AUTHORIZATION FORM DESCRIPTION AND TERMS

The U.S. Bank Money Market account is a U.S. Bank National Association (“U.S. Bank”) interest-bearing money market deposit account designed to meet the needs of U.S. Bank’s Corporate Trust Services Escrow Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank’s discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as Agent for its trust customers. U.S. Bank’s trust department performs all account deposits and withdrawals. Deposit accounts are FDIC Insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

U.S. BANK, WHEN ACTING AS AN INDENTURE TRUSTEE OR IN A SIMILAR CAPACITY, IS NOT REQUIRED TO REGISTER AS A MUNICIPAL ADVISOR WITH THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF COMPLYING WITH THE DODD-FRANK WALL STREET REFORM & CONSUMER PROTECTION ACT. INVESTMENT ADVICE, IF NEEDED, SHOULD BE OBTAINED FROM YOUR FINANCIAL ADVISOR.

AUTOMATIC AUTHORIZATION

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Account. The U.S. Bank Money Market Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in writing of alternate instructions.

Company Name

Signature of Authorized Directing Party

Trust Account Number – includes existing
and future sub-accounts unless otherwise directed

Title / Date

EXHIBIT C

Owner's Property

Zone 1 Property – Recorded Tract Map No. 31226 in the City of Perris

Existing Zone 2 Property – Expired Tentative Tract Map No. 31225 in the City of Perris consisting of Riverside County Assessor's Parcel Numbers 311-030-012 and 311-030-013

Annexation Property – Tentative Tract Map No. 32497 in the City of Perris consisting of the following Riverside County Assessor's Parcel Numbers:

- 306-010-013 through 021
- 306-050-006 through 010

EXHIBIT "B"
CFD AGREEMENT

CFD Agreement

THIS CFD AGREEMENT (this "Agreement") dated as of August 1, 2019, is made by and between the CITY OF PERRIS (the "City"), acting for COMMUNITY FACILITIES DISTRICT NO. 2007-2 (PACIFIC LEGACY) OF THE CITY OF PERRIS, a duly organized community facilities district (the "District"), and PERRIS HOMES, LLC, a California limited liability company, MAGNOLIA, LP, a California limited partnership and PELICAN LANDING, LP, a California limited partnership (collectively, the "Owner") and Pacific Communities Builder, Inc. ("Developer"), with reference to the following facts.

RECITALS:

WHEREAS, the City Council (the "Council") of the City, has previously undertaken proceedings ("Proceedings") to form the District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the "Act") being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California; and

WHEREAS, pursuant to the Proceedings, including elections held in connection with the Proceedings on January 8, 2008 the District is authorized to levy a special tax within the District pursuant to the Rate and Method of Apportionment on Exhibit A hereto ("RMA") in order to fund public improvements and fees; and

WHEREAS, Owner is affiliated with, and managed by, the Developer. Perris Homes, LLC is the owner of the undeveloped property within "Zone 1" of the District (the "Zone 1 Property"), and Magnolia, LP is the owner of all of the property currently within "Zone 2" of the District (the "Existing Zone 2 Property") all as described and depicted on Exhibit B attached hereto; and

WHEREAS, Pelican Landing, LP is the owner of additional property in the City planned for 128 single family homes within Tentative Tract Map No. 32497 (the "Annexation Property"). The Annexation Property is also described and depicted on Exhibit B; and

WHEREAS, Owner and Developer hereby represent that the Existing Zone 2 Property is currently unentitled, and based on their significant industry experience and expertise, the Existing Zone 2 Property has experienced significant development delays and is not expected to develop for many years due to the expense of developing the property and the amount of undeveloped property necessary to develop in order to defray the costs of its development, and therefore, the property will likely never be subject to the special taxes of the District; and

WHEREAS, and the Annexation Property is expected to start construction activities in August of 2019; and

WHEREAS, Developer, Owner and City desire to remove the Existing Zone 2 Property from the District and annex the Annexation Property into Zone 2 of the District; and

WHEREAS, in connection with the Proceedings, Developer entered into agreements with the City and Eastern Municipal Water District regarding the funding of fees and improvements from the proceeds of bonds to be issued by the District (the “Bonds”); and

WHEREAS, the Developer developed 35 units on the Zone 1 Property but due to development delays and other reasons, the remaining property has not yet been developed; and

WHEREAS, Owner has requested that the District enter into this Agreement to memorialize the terms on which (i) special taxes will be levied within the District due to the fact that certain property owners have been paying taxes (“Current Unit Owners”) over the prior period of 11 years since Fiscal Year 2008-09, (ii) the Annexation Property will be annexed into Zone 2 of the District and (iii) the Owner has elected to prepay and cancel the special tax lien for the Existing Zone 2 Property in accordance with the terms of the RMA; and

WHEREAS, the Owner, Developer and City have elected to partially prepay the special taxes obligation of the Current Unit Owners in the amount of the special taxes said Current Unit Owners have paid since Fiscal Year 2008-09; and

WHEREAS, the Owner and Developer have requested that the City remove the Existing Zone 2 Property from the District by applying the prepayment formula to Undeveloped Property (as defined in the RMA) which is unlikely to be developed for many years and, hence, is not expected to be taxed pursuant to the RMA; and

WHEREAS, Owner, Developer and City (based on the representations of the Owner and the Developer) have elected to prepay and remove the special taxes on the Existing Zone 2 property for zero dollars as further described herein; and

WHEREAS, the Annexation Property essentially replaces the Existing Zone 2 Property in terms of size and units with respect to the security for the Bonds to be issued by the District; and

WHEREAS, Owner represents that they have no present intention to sell the Existing Zone 2 Property; and

WHEREAS, the Owner and Developer have also requested a Maximum Special Tax Reduction, as described in the RMA; and

WHEREAS, the District is authorized to issue Bonds to finance fees and public improvements related to development in the District pursuant to an election held in the District; and

WHEREAS, this Agreement will memorialize the understanding related to the above described; and

NOW, THEREFORE, the parties hereto agree as follows:

1. The recitals hereto are true and correct and incorporated herein by this reference.
2. Pursuant to Section 8 of the RMA, the Owner hereby requests a Mandatory Maximum Special Tax Reduction, because taxes in the District have exceeded the amount in the City's policies. Based on information provided by Developer and Owner, the City has determined to apply a Maximum Special Tax Reduction as provided in the RMA. The resulting Maximum Special Taxes for the District with respect to Zone 1 (the "Zone 1 Rate Reduction") and Zone 2 shall be determined by the CFD Administrator pursuant to the RMA. The reduced Maximum Special Taxes for Zone 2 shall be based on the Annexation Property. The City Clerk and/or CFD Administrator pursuant to the RMA is hereby authorized to record a suitable notice for the Mandatory Maximum Special Tax Reduction pursuant to Section 8 the RMA.
3. Pursuant to the Proceedings, the District is authorized to issue Bonds in an amount not to exceed \$7,000,000 secured by special taxes authorized to be levied in the District and to be paid over a period of not to exceed fiscal year 2047/2048. The Current Unit Owners have paid special taxes within the District from fiscal year 2008-09 to fiscal year 2018/2019 (the "Prepaid Funds"). The amount of the Prepaid Funds is \$736,963 as of February 5, 2019. The District and the Owner desire to memorialize the treatment of the Prepaid Funds such that all property owners in the District are treated fairly over the period of the Bonds to be issued by the District.
4. Willdan Financial Services, LLC, the City's special tax consultant has calculated or will calculate (i) the amount of the partial prepayment of the special taxes for Current Unit Owners, (ii) the proposed special taxes to be levied in the future on Current Unit Owners as a result of the partial prepayment, and (iii) the proposed special taxes on future property owners in Zone 1. The calculation of the aforementioned figures will be based on the following assumptions: (i) at the time Bonds are issued by the District, the Prepaid Funds will be allocated to the 35 existing units proportionally, based on the amount of Prepaid Funds collected from each unit, (ii) the amount allocated to each of the 35 existing units will be applied to make a partial prepayment under the terms of the RMA, (iii) in the fiscal year following the date of the partial prepayments, the special tax for those 35 units is expected to be lower than the flat rate that has been levied thus far and which is expected to be levied until the time the partial prepayments are made, (iv) the special tax levy will escalate by 2% per year for all units after the partial prepayments as provided by the RMA for the purpose of sizing the initial new money bond issue, although the final amount of the bond issue shall be in the City's discretion; and (v) the Zone 1 Rate Reduction is in effect. The City agrees to begin levying the reduced special tax rates pursuant to the Zone 1 Rate Reduction in Fiscal Year 2019-20.
5. Upon request and petition to be filed by the owner of the Annexation Property, the City agrees to work with Developer and Owner to take the necessary steps to annex the Annexation Property into Zone 2 of the District. All costs associated with the annexation process shall be the responsibility of Developer and shall be advanced to the City following the City's written request for such advance. Nothing in this Agreement shall limit the discretion of the City Council to approve or disapprove the annexation of the Annexation Property into the District.

6. As a result of lengthy delays in development of the Existing Zone 2 Property, the parties agree that it is in the best interest of the City, the Owner and the District to remove the Existing Zone 2 Property from the District which will provide better security for the issuance of the Bonds because the Bonds will be secured by property with a significant amount of development completed rather than unentitled undeveloped property. The parties agree to take the necessary steps to remove the special tax lien of the District from the Existing Zone 2 Property. The parties intend to accomplish the removal of the Existing Zone 2 Property from the District at approximately the same time as the Annexation Property is annexed into the District. The parties agree that the removal of the Existing Zone 2 Property from the District will require a prepayment of the special taxes on Existing Zone 2 Property. Due to the fact that the Existing Zone 2 Property is unlikely to be developed for many years, the Existing Zone 2 Property is not expected to be subject to taxation as Developed Property under the RMA. Therefore, based on the representations of the Developer, the fact that the annexation of the Annexation Property into Zone 2 will essentially replace the Existing Zone 2 Property and not further burden the Current Unit Owners, the fact that undeveloped parcels have no value in the CFD and do not constitute Developed Property or Undeveloped Property for which a prepayment amount is required, the parties have determined that the prepayment amount for the Existing Zone 2 Property is zero. In connection with the prepayment, the City will record a Notice of Cancellation of Special Tax Lien against the Existing Zone 2 Property and the Existing Zone 2 Property shall thereafter no longer be subject to special taxes of the District. The parties agree to effectuate the prepayment under this Section 7 concurrently with the annexation of the Annexation Property into the District.

7. The Owner, Developer and City shall negotiate in good faith on future agreements, provided, however that this Agreement does not obligate the City to enter into such acquisition agreements, joint community facilities agreements or other agreements. It also shall not bind the City Council to any actions which are normally discretionary in nature. This Agreement does not obligate the City to consent to, accept or enter into any assignments to any such agreements. City, and Owner or Developer may negotiate in good faith to enter into such agreements or assignments which shall require the approval of all parties. This Agreement simply sets forth an understanding of the parties with respect to the subject matter herein. It does not set the final rate under which the City will agree to levy special taxes within the District.

8. Developer, Owner and City agree that City will file a validation action with respect to some or all of the actions contemplated herein or future actions related hereto and Developer agrees to pay for the all fees, expenses, and costs (including but not limited legal, financial, and special tax expertise determined by City and costs of city staff calculated at \$ ___ per hour) associated with such validation action, including any appeals thereof. Concurrently with the execution hereof, Developer will forward to City a check for \$60,000 for the validation action. Developer shall forward additional amounts as requested by City when balance falls below \$10,000. Such costs may be included as part of the Deposit/ Reimbursement Agreement of the City and the City may but shall not be required to reimburse all or part of the costs notwithstanding any agreement to the contrary. The parties acknowledge that, if the Superior Court of California and any appeals thereof determine that all or some of the modifications is not allowed under California law, then the City shall have no obligation to move forward with the contemplated actions herein but shall work with Developer and Owner in good faith on a solution.

9. Owner and Developer hereby agree to, and shall defend, save, indemnify and hold harmless City, the District and its elected and appointed boards, commissions, officers, agents, and employees harmless from any and all claims, costs (including attorneys' fees) and liability for any damages, which may arise, directly or indirectly, from the actions contemplated herein and resulting herefrom. The obligations of this Section survive termination of the Agreement or completion of the acts contemplated by the Agreement.

10. This Agreement constitutes the entire understanding of the parties hereto with respect to the subject matter hereof. There are no agreements or understandings between the parties and no representations have been made by either party to the other as an inducement to enter into this Agreement, except as expressly set forth herein. All prior negotiations, written or oral, between the parties are superseded by this Agreement. This Agreement may not be altered, amended or modified except by a writing executed by all parties. This Agreement is only binding on the Developer, Owner and City and for the benefit of any Developer transferee. Notwithstanding anything provided herein to the contrary, whether express or implied, the parties shall have no obligation to enter into future contracts, and neither the City nor the District nor their respective members, officers, staff or agents have made any promises to Owner or Developer. No statements of the City or its respective officers, members, staff or agents as to future obligations shall be binding upon the City unless and until the proper legal contract is approved by the City.

11. This Agreement shall be construed and interpreted under, and governed and enforced according to the laws of, the State of California.

12. This Agreement may be executed simultaneously or in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

[signatures on following page]

IN WITNESS WHEREOF, the parties hereto have executed this MOU as of the day and year first written above.

CITY:		
		<p>CITY OF PERRIS</p> <p>_____</p> <p>By: Mayor</p>
Attest:	<p>_____</p> <p>City Clerk</p>	
		<p>Perris Homes, LLC</p> <p>By: Pacific Communities Builder, Inc. Its: Manager</p> <p>By: _____ Nelson Chung Its: President</p>
		<p>Magnolia, LP</p> <p>By: PacHome, LLC Its: General Partner</p> <p>By: _____ Nelson Chung Its: Manager</p>
		<p>Pelican Landing, LP</p> <p>By: Nelson Chung & Associates, Inc. Its: General Partner</p> <p>By: _____ Nelson Chung Its: Secretary</p>
		<p>Perris Community Builders, Inc.</p> <p>By: _____</p>

By: _____

Nelson Chung

Its: President

EXHIBIT A
[Rate and Method of Apportionment]

EXHIBIT B
Property Description

Conformed Copy

Has not been compared with original

PLEASE COMPLETE THIS INFORMATION
RECORDING REQUESTED BY:

Larry W Ward
County of Riverside
Assessor, County Clerk & Recorder

AND WHEN RECORDED MAIL TO:

City of Perris
Attn: Judy L. Haughney, City Clerk
101 North "D" Street
Perris, CA 92570

M	S	U	PAGE	SIZE	DA	PCOR	NOCOR	SMF	MISC.
A	R	L				COPY	LONG	REFUND	NCHK EXAM

Notice of Special Tax Lien For Community Facilities District No. 2007-2
(Pacific Heritage) Of The City of Perris

Title of Document

THIS AREA FOR
RECORDER'S
USE ONLY

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(\$3:00 Additional Recording Fee Applies)

law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the Government Code.

The rate and method of apportionment, and manner of collection of the authorized special tax is as shown on Exhibit A hereto. Conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled are as shown on Exhibit A hereto.

Notice is further given that upon the recording of this notice in the office of the Riverside County Recorder, the obligation to pay the special tax shall become a lien upon all nonexempt real property within Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris, in accordance with Section 3115.5 of the Streets and Highways Code.

The names of the owner(s) and the assessor's tax parcel number(s) of the real property included within the District and not exempt from the special tax are as shown on Exhibit B hereto.

Reference is made to the original boundary map of Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris recorded in Book 72, Page 52 (Document No. 2007-0740619) of the Book of Maps of Assessments and Community Facilities Districts in the office of the Riverside County Recorder, State of California, which map is now the final boundary map of the District.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact the Assistant City Manager and Finance Director, City of Perris, 101 North "D" Street, Perris, California 92570, (951) 943-4610.

Date: January 17, 2008

Judy G. Dougherty

City Clerk of the City of Perris, acting as the
Legislative Body of Community Facilities
District No. 2007-2 (Pacific Heritage) of the
City of Perris

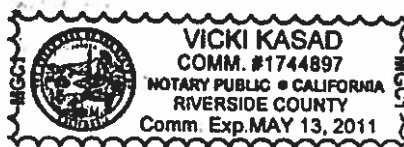


EXHIBIT A

**RATE AND METHOD OF APPORTIONMENT
Community Facilities District No. 2007-2
(Pacific Heritage)**

[See Attached]

**CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2007-2
(PACIFIC HERITAGE)
RATE AND METHOD OF APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property within the boundaries of Community Facilities District No. 2007-2 (Pacific Heritage) of the City of Perris ("CFD No. 2007-2") and collected according to the tax liability determined by the Council, through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. 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 an 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, parcel map, condominium plan, other recorded County parcel map, or other similar instrument. An acre means 43,560 square feet of land.

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

"Administrative Fees" or "Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2007-2 including, but not limited to the costs associated with:

- (i) Computing the Special Taxes;
- (ii) Preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both);
- (iii) Collecting the Special Taxes (whether by the City, the County or otherwise);
- (iv) Remitting the Special Taxes to the Trustee;
- (v) The Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2007-2, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations;
- (vi) Complying with disclosure or reporting requirements of the City or CFD No. 2007-2, associated with applicable federal and State laws (whether by the City, CFD No. 2007-2, or any designee thereof);
- (vii) Preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2007-2, or any designee thereof related to an appeal of the Special Tax; and
- (viii) The City's annual administration fees and third party expenses. Administrative expenses shall also include amounts estimated or advanced by the City or CFD No. 2007-2 for any other administrative purposes of CFD No. 2007-

2, including attorney's fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor" means the Assessor of the County of Riverside.

"Assessor's Parcel" means a Lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means the number assigned to an Assessor's Parcel by the County for purposes of identification.

"Backup Special Tax" means a one-time special tax that may be required to be paid prior to the approval of a proposed land use, entitlement change or permit issuance, subject to the conditions and as set forth in Section 5.

"Bonds" means any bonds or other indebtedness (as defined in the Act) of CFD No. 2007-2, whether in one or more series, including refunding bonds, secured by the levy of Special Taxes.

"Builder" means a home builder other than the Developer acting as the builder of Residential Units within CFD No. 2007-2.

"Building Permit" means a building permit for the construction of one or more Residential Units within CFD No. 2007-2 issued by the City.

"Building Square Footage" means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of building square footage shall be made by reference to the Building Permit(s) issued for such Assessor's Parcel.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

"CFD No. 2007-2" means the Community Facilities District No. 2007-2 (Pacific Heritage) of the City.

"CFD Administrator" means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll, calculating the Backup Special Tax, and as necessary,

determining prepayment amounts in accordance with Section 7 and Mandatory Special Tax Reductions in accordance with Section 8.

“CFD Formation” means the date at which the City Council approved the formation of CFD No. 2007-2 in accordance with the provisions of the Act.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2007-2 as defined under the Act.

“County” means the County of Riverside, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Delinquency Management Fund” means the fund (regardless of its name), if any, established pursuant to the Indenture, to hold certain funds, not including bond proceeds, for the payment of principal and interest on the Bonds to the extent there are insufficient funds to pay principal and interest on the Bonds prior to any draw on the Reserve Fund. The Delinquency Management Fund Requirement (as defined in the Indenture) shall be an amount as defined in the Indenture.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Undeveloped Property, for which a Building Permit for new construction or renovations was issued prior to April 1 of the previous Fiscal Year.

“Developer” means the developer and their successors, if any, acting as the developer of the property in CFD No. 2007-2.

“Development Plan” means a plan of Residential Units proposed to be built within CFD No. 2007-2 as provided by the Developer or Builder(s) and approved by the City. The development plan shall include the number, square footage, and base sales price of the Residential Units. The Developer or Builder shall file with the City an amended development plan prior to the issuance of any Building Permits if there is a change in the number and/or square footage of the Residential Units.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 10.

“Expected Land Uses” means the total number of Residential Units and Building Square Footage expected to be constructed within CFD No. 2007-2, as determined from time-to-time by the CFD Administrator by applying the steps described in Section 5 below. The expected land uses at CFD Formation are summarized in Exhibit B hereto; the CFD Administrator shall update Exhibit B if (i) a Mandatory

Maximum Special Tax Reduction is applied in accordance with Section 8 below; or
(ii) a change occurs to the Development Plan that would change the number of Residential Units within each Land Use Classification as shown in Exhibit B.

“Expected Maximum Special Tax Revenues” means the amount of annual revenue that would be available if the Maximum Special Tax was levied on the Expected Land Uses. The expected maximum special tax revenues as of CFD Formation are shown in Exhibit B to this Rate and Method of Apportionment.

“Facilities” means facilities, fees or improvements authorized to be funded by CFD No. 2007-2.

“Final Bond Sale” means the last series of Bonds that will be issued on behalf of CFD No. 2007-2 (excluding any Bond refundings), as determined in the sole discretion of the City.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which Building Permits may be issued without further subdivision.

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

“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, and any instrument replacing or supplementing the same.

“Land Use Class” means any of the land use classes listed in Table 1 or Table 2 under Section 3 below.

“Lot” means a parcel created by a Final Subdivision Map on which a single family residential home can be constructed.

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of the Maximum Special Tax prior to the issuance of Bonds as set forth in Section 8 below.

“Maximum Special Tax” means the amount of Special Tax, determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property.

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

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 2007-2 owned in fee by a property owner association, including any master or sub-association.

“Property Tax Burden” means the total estimated amount of taxes an owner of a Residential Unit would expect to pay including ad valorem property taxes, Maximum Special Tax, and other special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges), expressed as a percentage of the expected base sales price of the Residential Unit.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal 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 equal for all Assessor’s Parcels of Undeveloped Property. The term **“Proportionately”** may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 10, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 10.

“Public Property” means any property within the boundaries of CFD No. 2007-2, which is owned by, or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency; provided however that any property owned by a public agency and leased 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 Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“Special Tax” means any special tax levied within CFD No. 2007-2 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the term of the Special Tax specified in Section 9.

“Special Tax Requirement” means that amount required in any Fiscal Year to:

- (i) Pay regularly scheduled Debt Service on all Outstanding Bonds;
- (ii) Pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds;
- (iii) Pay Administrative Fees and Expenses;
- (iv) Pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds;
- (v) Accumulate funds to pay directly for acquisition or construction of Facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property;
- (vi) Pay for reasonably anticipated delinquent Special Taxes; and
- (vii) Pay any amounts required to establish or replenish the Delinquency Management Fund; provided said amounts do not exceed any amount permitted under the Act.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of CFD No. 2007-2, which are not exempt from the levy of the Special Tax pursuant to law or Section 10 below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Undeveloped Property.

“Zone” means as the context requires, either Zone 1 or Zone 2.

“Zone 1” means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

“Zone 2” means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2008-2009, each Assessor's Parcel within CFD No. 2007-2 shall be assigned to Zone 1 or Zone 2 in accordance with Exhibit A to this Rate and Method of Apportionment, and each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3, 4 and 5 below. Furthermore, each Assessor's

Parcels of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2008-2009 shall be determined pursuant to Table 1 for Zone 1 and Table 2 for Zone 2 below.

Table 1
Maximum Special Tax Rates
Zone 1
Fiscal Year 2008-2009

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,105 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,349 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,587 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,742 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$2,925 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$3,080 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,235 per Residential Unit

Table 2
Maximum Special Tax Rates
Zone 2
Fiscal Year 2008-2009

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,200 Sq. Ft.	\$2,200 per Residential Unit
2	2,200 – 2,499 Sq. Ft.	\$2,452 per Residential Unit
3	2,500 – 2,799 Sq. Ft.	\$2,697 per Residential Unit
4	2,800 – 3,099 Sq. Ft.	\$2,858 per Residential Unit
5	3,100 – 3,399 Sq. Ft.	\$3,047 per Residential Unit
6	3,400 – 3,699 Sq. Ft.	\$3,208 per Residential Unit
7	3,700 Sq. Ft. and Greater	\$3,368 per Residential Unit

Each July 1, commencing July 1, 2009, the Maximum Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Provisional Undeveloped Property and Undeveloped Property

The Maximum Special Tax for Provisional Undeveloped and Undeveloped Property for Fiscal Year 2008-2009 shall be determined by reference to Table 3 below.

**Table 3
Maximum Special Tax Rates
Fiscal Year 2008-2009**

Zone	Maximum Special Tax
Zone 1	\$17,276 per Acre
Zone 2	\$17,843 per Acre

On July 1st of each Fiscal Year, commencing July 1, 2009, the Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall increase by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2008-2009, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the applicable Maximum Special Tax as necessary to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Annual Special Tax shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2007-2 by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

5. BACKUP SPECIAL TAX

The Maximum Special Taxes set forth in Section 3 were calculated based on the Expected Land Uses at CFD Formation. For each Zone, the CFD Administrator shall review all applicable Final Subdivision Maps and the Development Plan of CFD No. 2007-2 to confirm that the Final Subdivision Map(s) and Development Plan reflect the number and size of Residential Units that were anticipated at the time of CFD Formation. The Developer and/or Builder shall file an amended Development Plan for each Zone with the City after CFD Formation any time there is a change in the number and/or size of Residential Units.

Prior to Final Bond Sale

If, prior to Final Bond Sale, a change to the Expected Land Uses ("Land Use/Entitlement Change") is submitted by the Developer or Builder that will result in a reduction of the Expected Maximum Special Tax Revenues or a Mandatory Maximum Special Tax Reduction is applied pursuant to Section 8 of this Rate and Method of Apportionment, or any combination thereof, no action shall be required pursuant to this Section 5, provided that the reduction in Expected Maximum Special Tax Revenues does not reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual Debt Service on all Outstanding Bonds. The CFD Administrator shall update Exhibit B to show the reduced Expected Maximum Special Tax Revenues, and the reduced Expected Maximum Special Tax Revenues shall be the amount used by the City to make future decisions with respect to Bonds.

Subsequent to Final Bond Sale

If a proposed Land Use/Entitlement Change or Development Plan submitted by the Developer or Builder would reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual Debt Service on all Outstanding Bonds, the following steps shall be applied:

Step 1: By reference to Exhibit B (which shall be updated by the CFD Administrator in accordance with this Section 5 each time a Land Use/Entitlement change is processed, the Development Plan is changed or a Mandatory Maximum Special Tax Reduction is applied) and by computing the Maximum Special Tax rates in accordance with Section 3 for the current Fiscal Year, the CFD Administrator shall calculate the Expected Maximum Special Tax Revenues for CFD No. 2007-2.

Step 2: The CFD Administrator shall calculate the Expected Maximum Special Tax Revenues that could be collected from property in the CFD if the Land Use/Entitlement Change is approved or the Development Plan is changed (“Proposed Maximum Special Tax Revenues”);

Step 3: If the amount determined in the second step is higher than that calculated in the first step, the Land Use/Entitlement Change may be approved or the Development Plan may change without further action. If the Expected Maximum Special Tax Revenues calculated in the Step 2 are less than those calculated in Step 1, the Developer or Builder shall pay a one-time Backup Special Tax in an amount calculated pursuant to Section 7.B. The amount of the Backup Special Tax payment shall be equal to the amount necessary to reduce the Debt Service on Outstanding Bonds such that the Proposed Maximum Special Tax Revenues less Administrative Expenses equals 1.1 times the Debt Service after such payment. The Backup Special Tax required by this Step shall be paid prior to the approval of the proposed Land Use/Entitlement Change or the issuance of additional Building Permits.

If multiple Land Use/Entitlement Changes are proposed at one time, the CFD Administrator may consider the combined effect of all Land Use/Entitlement Changes to determine if a reduction in Expected Maximum Special Tax Revenues necessitates implementation of Step 3. If the CFD Administrator determines that there is a reduction in Expected Maximum Special Tax Revenues, and all of the Land Use/Entitlement Changes are being proposed by the same property owner, the CFD Administrator shall determine the amount to be prepaid (pursuant to Step 3) by analyzing the combined effects of all of the proposed Land Use/Entitlement Changes. Notwithstanding the foregoing, if the CFD Administrator analyzes the combined effects of all the proposed Land Use/Entitlement changes, and the City subsequently does not approve any one or more of the proposed Land Use/Entitlement Changes, then the CFD Administrator shall again apply the three steps set forth above to determine the combined effect of the multiple Land Use/Entitlement Changes that were approved simultaneously by the City.

6. COLLECTION OF SPECIAL TAXES

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the conditions set forth in this Section 7.

The following definitions apply to this Section 7:

“CFD Public Facilities Costs” means \$6,040,000 in 2007 dollars, which shall increase by the Construction Inflation Index on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the Facilities, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the Facilities.

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

“Future Facilities Costs” means the CFD Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance the Facilities.

“Outstanding Bonds” means all Previously Issued Bonds that remain outstanding after the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Special Tax Obligations.

“Previously Issued Bonds” means all CFD No. 2007-2 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a 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 prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than 60 days prior to any redemption date for the CFD No. 2007-2 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Prepayment Amount
plus	Defeasance Amount
plus	Prepayment Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, determine the Maximum Special Tax. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax for that Assessor’s Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor’s Parcel.

-
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for CFD No. 2007-2 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2007-2 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
 4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid rounded up to the nearest \$5,000 increment (the "Bond Redemption Amount"). If a prepayment request is submitted for multiple Assessor's Parcels which are owned by the same entity or individual, then only the sum of the Bond Redemption Amount (calculated without rounding) for all such Assessor's Parcels shall be rounded up to the nearest \$5,000 increment and not the Bond Redemption Amount for each such Assessor's Parcel.
 5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
 6. Compute the current Future Facilities Costs.
 7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
 8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
 9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the earliest redemption date for the Outstanding Bonds to be redeemed with the prepayment.
 10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").
 11. Verify the administrative fees and expenses of CFD No. 2007-2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of

recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees and Expenses").

12. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
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 by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2007-2.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property in each Fiscal Year, after the proposed prepayment is at least 1.1 times the corresponding Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax Obligation on an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

- PP = the partial prepayment amount
- P_E = the Prepayment Amount calculated according to Section 7.A.
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation. (Such amount shall be rounded up as directed in Section 7.A.4 above)

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the percentage by which the Special Tax Obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax Obligation for the Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 7.A., and (ii) indicate in the records of CFD No. 2007-2 that there has been a partial prepayment of the Special Tax Obligation and that the portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property in each Fiscal Year, after the proposed partial prepayment is at least 1.1 times the corresponding Debt Service on all Outstanding Bonds.

8. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

In conjunction with the issuance of any series of Bonds, the Property Tax Burden on Developed Property shall be calculated by the CFD Administrator pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of CFD Formation (the "Goals and Policies"). The Maximum Special Tax on Developed Property set forth in Section 3.A of this Rate and Method of

Apportionment shall be permanently reduced if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum level allowed in the Goals and Policies. In such a case, the CFD Administrator shall take the following steps:

Step 1: The CFD Administrator shall calculate the Property Tax Burden for each Residential Unit within each Land Use Class of Developed Property set forth in Tables 1 and 2.

Step 2: For any Land Use Class of Developed Property set forth in Tables 1 or 2 for which the Property Tax Burden exceeds the maximum level allowed in the Goals and Policies for any Residential Unit classified within such Land Use Class, the Maximum Special Tax shall be permanently reduced so that the highest Property Tax Burden within such Land Use Class equals the maximum level allowed in the Goals and Policies for any Residential Unit.

Step 3: The CFD Administrator shall determine the sum of the reduced Maximum Special Tax as calculated in Step 2 multiplied by the expected number of Residential Units within each Land Use Class expected to be developed within CFD No. 2007-2 at build-out ("Estimated Annual Special Tax Revenues"). The Maximum Special Tax for Undeveloped Property and Provisional Undeveloped Property shall be reduced to an amount equal to the Estimated Annual Special Tax Revenues divided by the minimum taxable Acres set forth in Section 10.

Step 4: If the Mandatory Special Tax Reduction is implemented, then Table 1 and/or Table 2 shall be modified and the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Taxes on Developed Property, Undeveloped Property and Provisional Undeveloped Property.

9. TERM OF SPECIAL TAX

The Special Tax shall be levied until the last series of Bonds has been fully repaid, provided that the Special Tax may be levied after the last series of Bonds has been repaid if necessary to collect delinquencies or pay for additional Facilities, but shall not in any event be levied for a period to exceed forty (40) Fiscal Years commencing with Fiscal Year 2008-2009.

10. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iv) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no

such classification would reduce the sum of all Taxable Property to less than 13.22 Acres in Zone 1 or less than 9.20 Acres in Zone 2 . Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property to less than 13.22 Acres in Zone 1 or less than 9.20 Acres in Zone 2 shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Taxes accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 10 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

11. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager or designee of the City appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Special Tax and any landowner appeals herein specified. The decision of the City Manager or designee shall be final and binding as to all persons.

EXHIBIT A

MAP OF ZONES OF
COMMUNITY FACILITIES DISTRICT NO. 2007-2
(PACIFIC HERITAGE)
CITY OF PERRIS

LEGEND
— PROPOSED
— BOUNDARY
N.A.P. NOT A PART

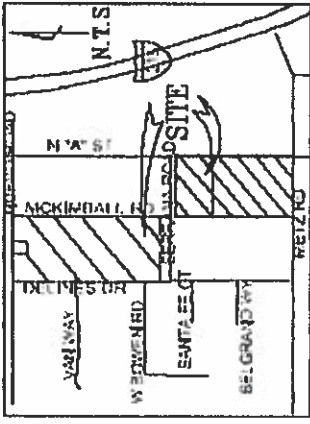
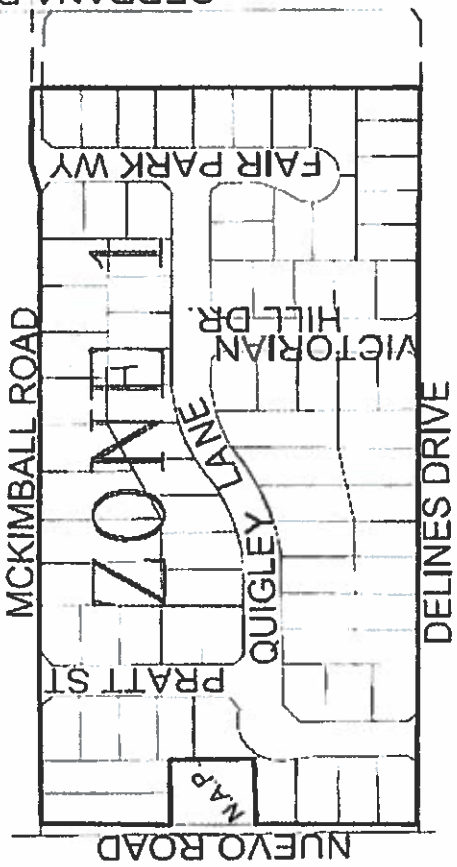
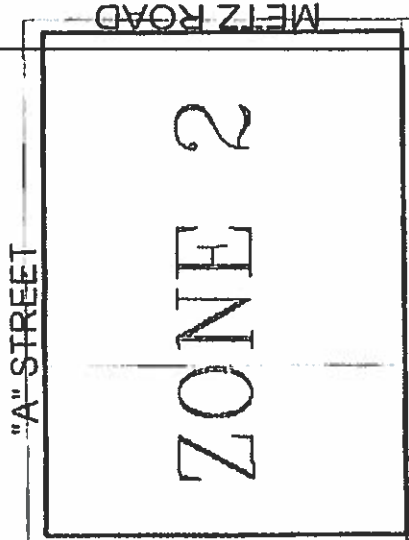
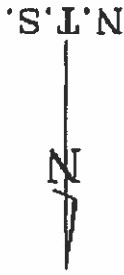


EXHIBIT B

EXPECTED LAND USES AND EXPECTED MAXIMUM SPECIAL TAX REVENUES Zone 1

Land Use Class	Building Square Footage	Number of Expected Units	Maximum Special Tax FY 2008-2009*	Total Expected Annual Special Tax Revenues*
1	Less than 2,200 Sq. Ft.	0	\$2,105	\$0
2	2,200 – 2,499 Sq. Ft.	16	\$2,349	\$37,584
3	2,500 – 2,799 Sq. Ft.	7	\$2,587	\$18,109
4	2,800 – 3,099 Sq. Ft.	21	\$2,742	\$57,582
5	3,100 – 3,399 Sq. Ft.	15	\$2,925	\$43,875
6	3,400 – 3,699 Sq. Ft.	0	<u>\$3,080</u>	<u>\$0</u>
7	3,700 Sq. Ft. and Greater	<u>22</u>	<u>\$3,235</u>	<u>\$71,170</u>
Total	NA	81	NA	\$228,320

EXPECTED LAND USES AND EXPECTED MAXIMUM SPECIAL TAX REVENUES Zone 2

Land Use Class	Building Square Footage	Number of Expected Units	Maximum Special Tax FY 2008-2009*	Total Expected Annual Special Tax Revenues*
1	Less than 2,200 Sq. Ft.	0	\$2,200	\$0
2	2,200 – 2,499 Sq. Ft.	15	\$2,452	\$36,780
3	2,500 – 2,799 Sq. Ft.	8	\$2,697	\$21,576
4	2,800 – 3,099 Sq. Ft.	10	\$2,858	\$28,580
5	3,100 – 3,399 Sq. Ft.	11	\$3,047	\$33,517
6	3,400 – 3,699 Sq. Ft.	0	\$3,208	<u>\$0</u>
7	3,700 Sq. Ft. and Greater	<u>13</u>	<u>\$3,368</u>	<u>\$43,784</u>
Total	NA	57	NA	\$164,237

TOTAL EXPECTED ANNUAL MAXIMUM SPECIAL TAX REVENUES \$392,557

*Amounts are shown in Fiscal Year 2008-2009 dollars and shall escalate by two percent (2.0%) for each Fiscal Year thereafter.

EXHIBIT B

OWNERS OF PROPERTY

ASSESSOR PARCEL NO.	OWNER
311-030-012	Magnolia, L.P.
311-030-013	Magnolia, L.P.
311-480-001	RVONE HOMES, LLC
311-480-002	RVONE HOMES, LLC
311-480-003	RVONE HOMES, LLC
311-480-004	RVONE HOMES, LLC
311-480-005	RVONE HOMES, LLC
311-480-006	RVONE HOMES, LLC
311-480-007	RVONE HOMES, LLC
311-480-008	RVONE HOMES, LLC
311-480-009	RVONE HOMES, LLC
311-480-010	RVONE HOMES, LLC
311-480-011	RVONE HOMES, LLC
311-481-001	RVONE HOMES, LLC
311-481-002	RVONE HOMES, LLC
311-481-003	RVONE HOMES, LLC
311-481-004	RVONE HOMES, LLC
311-481-005	RVONE HOMES, LLC
311-481-006	RVONE HOMES, LLC
311-481-007	RVONE HOMES, LLC
311-481-008	RVONE HOMES, LLC
311-481-009	RVONE HOMES, LLC
311-481-010	RVONE HOMES, LLC
311-481-011	RVONE HOMES, LLC
311-481-012	RVONE HOMES, LLC
311-481-013	RVONE HOMES, LLC
311-481-014	RVONE HOMES, LLC
311-481-015	RVONE HOMES, LLC
311-481-016	GONZALEZ, JUAN & ARELI
311-481-017	RVONE HOMES, LLC
311-481-018	RVONE HOMES, LLC
311-481-019	RVONE HOMES, LLC
311-481-020	RVONE HOMES, LLC
311-481-021	RVONE HOMES, LLC
311-481-022	RVONE HOMES, LLC
311-481-023	RVONE HOMES, LLC
311-481-024	RVONE HOMES, LLC

ASSESSOR PARCEL NO.	OWNER
311-481-025	RVONE HOMES, LLC
311-481-026	RVONE HOMES, LLC
311-482-001	RVONE HOMES, LLC
311-482-002	RVONE HOMES, LLC
311-482-003	RVONE HOMES, LLC
311-482-004	RVONE HOMES, LLC
311-482-005	RVONE HOMES, LLC
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311-483-010	RVONE HOMES, LLC
311-483-011	RVONE HOMES, LLC
311-483-012	RVONE HOMES, LLC
311-483-013	RVONE HOMES, LLC

ASSESSOR PARCEL NO.	OWNER
311-483-014	RVONE HOMES, LLC
311-483-015	RVONE HOMES, LLC
311-483-016	RVONE HOMES, LLC
311-483-017	RVONE HOMES, LLC
311-483-018	RVONE HOMES, LLC
311-483-019	RVONE HOMES, LLC
311-483-020	RVONE HOMES, LLC
311-483-021	RVONE HOMES, LLC
311-483-022	RVONE HOMES, LLC

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

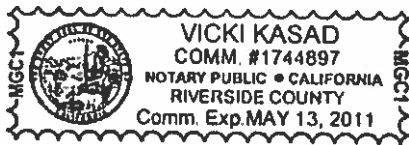
Riverside

} ss

On 1/17/08 before me Vicki Kasad, Notary Public
personally appeared Judy L. Haughney

personally known to me
 proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument



WITNESS my hand and official seal

Vicki Kasad
Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and constitute an important record, and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document Notice of Special Tax Lien CFD 2007-2

Document Date 1/17/08

Number of Pages: _____

Signer(s) Other Than Named Above _____

Capacity(ies) Claimed by Signer

Signer's Name _____

- Individual _____
- Corporate Officer — Title(s) _____
- Partner — Limited General _____
- Attorney-in-Fact _____
- Trustee _____
- Guardian or Conservator _____
- Other _____

Signer Is Representing _____

RIGHT THUMBPRINT OF SIGNER

Imp. of this thumbprint