

3. SPECIAL TAX RATES

A. Assigned Special Tax for Developed Property

The Assigned Special Tax applicable to an Assessor's Parcel classified as Developed Property commencing in Fiscal Year 2018-19 shall be determined pursuant to Table 1 below.

Table 1
Assigned Special Tax Rates

Land Use Class	Land Use Type	Building Square Footage	Assigned Special Tax
1	Residential Property	> 2,400	\$1,756 per Residential Unit
2	Residential Property	2,201 – 2,400	\$1,551 per Residential Unit
3	Residential Property	2,001 – 2,200	\$1,409 per Residential Unit
4	Residential Property	≤ 2,000	\$1,180 per Residential Unit

B. Backup Special Tax for Developed Property

The Backup Special Tax for Developed Property commencing in Fiscal Year 2018-19 shall be \$9,985 per Acre.

For the purpose of calculating the Backup Special Tax, the land area applicable to a Condominium shall be computed from the Acreage of the Lot on which the Condominium is located, with the Acreage for such Lot allocated equally among all of the Condominiums located or to be located on such Lot.

C. Maximum Special Tax for Developed Property

The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property and the Backup Special Tax for Developed Property.

D. Maximum Special Tax for Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property commencing in Fiscal Year 2018-19 shall be \$9,985 per Acre.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2018-19, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax;

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

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within CFD No. 2018-1 IA2 by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

5. 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 Annual Special Taxes.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

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. The following definitions apply to this Section 6:

"CFD Public Facilities Costs" means \$2,950,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2018-1 IA2, or (ii) shall

be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“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 or pay fees authorized to be funded by CFD No. 2018-1 IA2.

“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 designated fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of 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 Special Tax prepayments.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel 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 eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify 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 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 at least 60 days prior to any redemption date for the CFD No. 2018-1 IA2 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 (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels 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 Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined in Step 14 below) shall be calculated as follows:

Step 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 expected Maximum Special Tax revenue for CFD No. 2018-1 IA2 assuming all Building Permits have been issued (build-out) within CFD No. 2018-1 IA2, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously 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 for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
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 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 expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").
11. Calculate the administrative fees and expenses of CFD No. 2018-1 IA2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2018-1 IA2, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").

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

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated 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 amount to prepay 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. 2018-1 IA2.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2018-1 IA2 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2018-1 IA2 Bonds to be used with the next prepayment of CFD No. 2018-1 IA2 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation 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 the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax 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, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax 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 prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section 6.A

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation

A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial 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 an Assessor's Parcel within sixty (60) 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 6.A., and (ii) indicate in the records of CFD No. 2018-1 IA2 that there has been a partial prepayment of the Special Tax Obligation and that a 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.

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

7. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty (40) Fiscal Years commencing with Fiscal Year 2018-19, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2018-1 IA2 bonds have been paid.

8. 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 with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and (v) Assessor's Parcels of Developed Property classified as Non-Residential Property as determined reasonably by the CFD Administrator, provided that no such

classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA2 to less than 24.53 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA2 to less than 24.53 Acres shall be classified as Provisional Property and will continue to be subject to the CFD No. 2018-1 IA2 Special Taxes accordingly. Tax exempt status for the 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 8 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.

9. 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 thirty-six (36) 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, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,
- (ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or
- (iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The City Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the City Council or designee shall be final.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS, DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED \$6,500,000 WITHIN IMPROVEMENT AREA NO. 1 AND \$6,500,000 WITHIN IMPROVEMENT AREA NO. 2 OF SAID DISTRICT; AND CALLING A SPECIAL ELECTION WITHIN EACH SUCH IMPROVEMENT AREA

WHEREAS, on June 12, 2018, the City Council (the “Council”) of the City of Perris, California (the “City”), has heretofore adopted its Resolution No. 5303 (the “Resolution of Intention”) stating its intention to form Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the “District”) and Improvement Area No. 1 and Improvement Area No. 2 therein (each an “Improvement Area” and, collectively, the “Improvement Areas”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code of the State of California (the “Act”); and

WHEREAS, a copy of the Resolution of Intention, incorporating a description and map of the proposed boundaries of the District and Improvement Areas, setting forth the rate and method of apportionment and manner of collection of the special tax to be levied within each Improvement Area, which will be used to pay principal and interest on bonds proposed to be authorized within each Improvement Area, the proceeds of which will be applied to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the “Facilities”), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District (the “Incidental Expenses”), is on file with the City Clerk and incorporated herein by this reference; and

WHEREAS, on June 12, 2018, the Council has heretofore adopted its Resolution No. 5304 to incur bonded indebtedness (the “Resolution to Incur Indebtedness”) stating its intention to incur bonded indebtedness in an amount not to exceed \$6,500,000 within each Improvement Area of the District; and

WHEREAS, a copy of the Resolution to Incur Indebtedness is on file with the City Clerk and incorporated herein by this reference; and

WHEREAS, on July 31, 2018, the Council held a noticed public hearing as required by the Act relative to the proposed formation of the District; and

WHEREAS, at said hearing all persons not exempt from the special tax desiring to be heard on all matters pertaining to the formation of the District, including the boundaries of the District, the special tax, and the Facilities, were heard and a full and fair hearing was held, and such matters were not precluded by a majority protest; and

WHEREAS, at said hearing evidence was presented to the Council on said matters before it, and this Council at the conclusion of said hearing is fully advised in the premises; and

WHEREAS, the Council adopted its resolution determining the validity of prior proceedings, establishing the District and the Improvement Areas, authorizing the levy of a special tax within the boundaries of each Improvement Area of the District and establishing an appropriations limit (the "Resolution of Formation"); and

WHEREAS, the proposed special tax to be levied upon property within each Improvement Area to pay principal and interest on the bonds proposed to be issued within each Improvement Area has not been precluded by protest of the owners of one-half (1/2) or more of the area of land within each Improvement Area of the District; and

WHEREAS, this Council wishes to present to the qualified electors of each Improvement Area a combined proposition to, among other things, levy special taxes on property within the Improvement Areas; incur bonded indebtedness; and establish an appropriations limit for each Improvement Area, defined below as the Proposition.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris acting as the Legislative Body of the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris, as follows:

Section 1. That the above recitals are all true and correct.

Section 2. The Council hereby declares and deems that the public convenience and necessity require and it is necessary to incur bonded indebtedness in a maximum aggregate principal amount not to exceed \$6,500,000 within each Improvement Area for the purpose of financing all or a portion of the Facilities and more particularly described as set forth in that certain city officer's report, containing a brief description of the facilities which will be required to adequately meet the needs of the District, filed with the City Council for the District.

Section 3. The purpose of the proposed bonded indebtedness is generally described as follows: to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property; (2) the payment of development and other fees and the acquisition or construction of the Facilities, which have a useful life of five years or longer; and (3) the Incidental Expenses.

Section 4. Except for property within the District that is exempt, wholly or partially, from the levy of the special tax specified in the rate and method of apportionment of special tax

attached to the Resolution of Formation as Exhibit "B" for each such Improvement Area, the whole of the property within each Improvement Area shall pay for the applicable bonded indebtedness pursuant to the levy of the special tax authorized by the Resolution of Formation.

Section 5. The maximum term of the bonds or any series thereof to be issued shall in no event exceed forty (40) years.

Section 6. The bonds or any series thereof shall bear interest at a rate not to exceed the greater of twelve percent (12%) per annum or the maximum interest rate permitted by law, payable semiannually, with the actual rates and times of payment to be determined at the time of sale thereof.

Section 7. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, the Council hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of the District:

(a) Such bonded indebtedness shall be incurred for the specific purposes set forth in Section 3 above.

(b) The proceeds of any such bonded indebtedness shall be applied only to the specific purposes identified in Section 3 above.

(c) The documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account or accounts into which the proceeds of such bonded indebtedness shall be deposited.

(d) The City Manager or the City Finance Director/Treasurer, or their designee, acting for and on behalf of the City, shall annually file a report with the Council as required by Government Code Section 53411.

Section 8. Pursuant to Section 53353.5 of the Government Code of the State of California, the Council hereby submits to the qualified electors of each Improvement Area a combined proposition (the "Proposition") to, among other things, levy special taxes on property within the respective Improvement Area in accordance with the rate and method special tax formulas specified in the Resolution of Formation; incur bonded indebtedness in the maximum principal aggregate amount of \$6,500,000 for each Improvement Area; and establish an appropriations limit as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the District. Said appropriations limit shall equal the amount of all proceeds of the special tax collected annually and as defined by said Article XIII B, as adjusted for changes in the cost of living and changes in population. The Proposition presented to the qualified electors of each Improvement Area is more fully described and attached hereto as Exhibit "A."

Section 9. A special election is hereby called for the District on the Proposition set forth in Section 8, hereinabove.

Section 10. The Clerk shall hand deliver the ballots to the landowner on or before July 31, 2018.

Section 11. The time for notice having been waived by all of the qualified electors, the date of the special election for each Improvement Area of the District on the combined Proposition shall be on the 31st day of July, 2018. The voter ballot shall be returned to the City Clerk at 101 North "D" Street, Perris, California 92570, no later than 6:30 o'clock p.m. on July 31st, 2018.

Section 12. The Council finds and determines that there were no registered voters residing within the territory of proposed District at the time of the protest hearing and ninety (90) days prior thereto, and that there is only one landowner in each Improvement Area. The requirements of Section 53326 of the Government Code having been waived by the landowner, the ballots for the special elections shall be personally delivered to the landowner within the District.

Section 13. Notice of said election and written argument for or against the measures have been waived by the landowner.

Section 14. The District shall constitute a single election precinct for each Improvement Area for the purpose of holding said elections.

Section 15. The Council hereby directs that the elections be conducted by the City Clerk, as the elections official.

Section 16. The City Clerk shall certify the adoption of this Resolution.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the City Council of the City of Perris on this 31st day of July, 2018.

MAYOR OF THE CITY OF PERRIS

Attest:

CITY CLERK OF THE CITY OF PERRIS

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 No. _____ was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 31st day of July, 2018, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

By: _____

City Clerk

Exhibit "A"

**PROPOSITIONS SUBMITTED TO QUALIFIED ELECTORS OF
COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS**

OFFICIAL BALLOT

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS, IMPROVEMENT AREA NO. 1**

**SPECIAL BOND, TAX AND APPROPRIATIONS LIMIT ELECTION
July 31, 2018**

To vote, mark a cross (+) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to KB HOME Coastal Inc., a California corporation, as sole owner or authorized representative of such sole owner of 35.71 acres of land within Improvement Area No. 1 of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris and represents 36 votes. If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION A: Shall Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris on behalf of Improvement Area No. 1 incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$6,500,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "Incidental Expenses"), as provided in the Resolution of the City Council of the City of Perris establishing the Community Facilities District No. 2018-1, (Green Valley-West Elm) of the City of Perris (the "Resolution"); and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses as authorized in the Resolution; and shall an appropriations limit be established for Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris pursuant to Article XIII B of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

YES

NO

Signature

Name

OFFICIAL BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS, IMPROVEMENT AREA NO. 2

SPECIAL BOND, TAX AND APPROPRIATIONS LIMIT ELECTION
July 31, 2018

To vote, mark a cross (+) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to Green Valley Recovery Acquisition, LLC, a Delaware limited liability company, as sole owner or authorized representative of such sole owner of 37.67 acres of land within Improvement Area No. 2 of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris and represents 38 votes. If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION B: Shall Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris on behalf of Improvement Area No. 2 incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$6,500,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "Incidental Expenses"), as provided in the Resolution of the City Council of the City of Perris establishing the Community Facilities District No. 2018-1, (Green Valley-West Elm) of the City of Perris (the "Resolution"); and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses as authorized in the Resolution; and shall an appropriations limit be established for Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris pursuant to Article XIIB of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

YES

NO

Signature

Name

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS, DECLARING THE RESULTS OF A SPECIAL ELECTION RELATING TO THE LEVY OF SPECIAL TAXES THEREIN, THE ISSUANCE OF BONDED INDEBTEDNESS AND THE ESTABLISHMENT OF AN APPROPRIATIONS LIMIT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), called and duly held an election in Improvement Area No. 1 and Improvement Area No. 2 (each an “Improvement Area” and, collectively, the “Improvement Areas”) of the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the “District”) pursuant to Resolution No. _____ (the “Resolution Calling Election”) for the purpose of presenting to the qualified electors within Improvement Area No. 1 and Improvement Area No. 2, propositions for the levy of special taxes (“Proposition A” and “Proposition B,” respectively) in accordance with the respective method set forth in Exhibit “A” to Resolution No. _____ (the “Resolution of Formation”) and the issuance of bonded indebtedness; and

WHEREAS, the landowners of record within each Improvement Area, as of the close of the public hearing held on July 31, 2018, unanimously consented to a waiver of the time limits for setting the election and a waiver of any written analysis, arguments or rebuttals as set forth in California Government Code sections 53326 and 53327. Such waivers are set forth in written certificates executed by the landowners which are on file with the City Clerk, as the election official (the “Election Official”) concurring therein; and

WHEREAS, pursuant to the terms of the Resolution Calling Election and the provisions of the Mello-Roos Community Facilities Act of 1982 (the “Act”), the special election was held on July 31, 2018; and

WHEREAS, there has been presented to this Council a certificate of the Election Official as to the results of the canvass of the election returns (the “Certificate of the Election Official”), a copy of which is attached hereto as Exhibit “A” and incorporated herein.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris acting as the Legislative Body of the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris, as follows:

Section 1. That the above recitals are all true and correct.

Section 2. The canvass of the votes cast in the District at the special election held in each Improvement Area on July 31, 2018, as shown in the Certificate of the Election Official, is hereby approved and confirmed.

Section 3. Proposition A and Proposition B presented to the qualified electors of the District for receipt by the Election Official on July 31, 2018, have each received a unanimous vote of the qualified electors voting at said elections, and Proposition A and Proposition B have carried. The Council is hereby authorized to take the necessary steps to levy the special taxes authorized by Proposition A and Proposition B on the property within the District, and to issue, from time to time as it determines appropriate, bonds for the benefit of the District secured by such special taxes.

Section 4. Pursuant to and in compliance with the provisions of Government Code Section 50075.1, the Council hereby establishes the following accountability measures pertaining to the levy of the special taxes on the District described in Section 3 above:

(a) Such special taxes shall be levied for the specific purposes set forth in the propositions described in Section 3 hereof.

(b) The proceeds of the levy of such special taxes shall be applied only to the specific purposes set forth in the propositions described in Section 3 hereof.

(c) The District shall establish an account or accounts into which the proceeds of such special taxes shall be deposited.

(d) The City Manager or the City Finance Director/Treasurer, or their designee, acting for and on behalf of the District, shall annually file a report with the Council as required pursuant to Government Code Section 50075.3.

Section 5. This Resolution shall take effect immediately upon its adoption. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the City Council of the City of Perris on this 31st day of July, 2018.

MAYOR OF THE CITY OF PERRIS

Attest:

CITY CLERK OF THE CITY OF PERRIS

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 No. _____ was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 31st day of July, 2018, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

By: _____

City Clerk

Exhibit "A"

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS**

**CERTIFICATE OF THE ELECTION OFFICIAL
AS TO THE RESULTS OF THE CANVASS OF THE ELECTION RETURNS**

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

I, Nancy Salazar, City Clerk in my capacity as Elections Official in the City of Perris, California, in its capacity as the legislative body of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris, DO HEREBY CERTIFY, that pursuant to the provisions of Section 53325.4 of the Government Code and Division 15, commencing with Section 15000 of the Elections Code of the State of California, I did canvass the return of the votes cast at the Special Tax Election on July 31, 2018, held in

IMPROVEMENT AREA NO. 1
COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS

IMPROVEMENT AREA NO. 2
COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS

I FURTHER CERTIFY that the Statement of All Votes Cast, to which this certificate is attached, shows the total number of ballots cast within the property within each Improvement Area of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris for the proposition, and the totals of the respective columns and the totals as shown for the proposition are full, true and correct.

WITNESS my hand and Official Seal this 31st day of July, 2018.

CITY OF PERRIS, CALIFORNIA, acting as the
LEGISLATIVE BODY OF THE COMMUNITY
FACILITIES DISTRICT NO. 2018-1 (GREEN
VALLEY-WEST ELM) OF THE CITY OF PERRIS

By: _____
Nancy Salazar, City Clerk

**CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS**

**STATEMENT OF ALL VOTES CAST
SPECIAL TAX ELECTIONS
July 31, 2018**

	<u>Qualified Landowner Votes</u>	<u>Votes Cast</u>	<u>YES</u>	<u>NO</u>
City of Perris, Community Facilities District No. 2018-1 (Green Valley- West Elm) Improvement Area No. 1 of the City of Perris, Special Election July 31, 2018				<u>0</u>

PROPOSITION A SUBMITTED TO VOTE OF VOTERS (IMPROVEMENT AREA NO. 1):

Dated: July 31, 2018

City Clerk and Election Officer

OFFICIAL BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS, IMPROVEMENT AREA NO. 1

SPECIAL BOND, TAX AND APPROPRIATIONS LIMIT ELECTION
July 31, 2018

To vote, mark a cross (+) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to KB HOME Coastal Inc., a California corporation, as sole owner or authorized representative of such sole owner of 35.71 acres of land within Improvement Area No. 1 of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris and represents 36 votes. If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION A: Shall Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris on behalf of Improvement Area No. 1 incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$6,500,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "Incidental Expenses"), as provided in the Resolution of the City Council of the City of Perris establishing the Community Facilities District No. 2018-1, (Green Valley-West Elm) of the City of Perris (the "Resolution"); and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses as authorized in the Resolution; and shall an appropriations limit be established for Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris pursuant to Article XIII B of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

YES

NO

Signature

Name

**CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS**

**STATEMENT OF ALL VOTES CAST
SPECIAL TAX ELECTIONS
July 31, 2018**

	<u>Qualified Landowner Votes</u>	<u>Votes Cast</u>	<u>YES</u>	<u>NO</u>
City of Perris, Community Facilities District No. 2018-1 (Green Valley- West Elm) Improvement Area No. 2 of the City of Perris, Special Election July 31, 2018				<u>0</u>

PROPOSITION B SUBMITTED TO VOTE OF VOTERS (IMPROVEMENT AREA NO. 2):

Dated: July 31, 2018

City Clerk and Election Officer

OFFICIAL BALLOT

COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM)
OF THE CITY OF PERRIS, IMPROVEMENT AREA NO. 2

SPECIAL BOND, TAX AND APPROPRIATIONS LIMIT ELECTION
July 31, 2018

To vote, mark a cross (+) in the voting square after the word "YES" or after the word "NO." All marks otherwise made are forbidden.

This ballot is provided to Green Valley Recovery Acquisition, LLC, a Delaware limited liability company, as sole owner or authorized representative of such sole owner of 37.67 acres of land within Improvement Area No. 2 of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris and represents 38 votes. If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION B: Shall Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris on behalf of Improvement Area No. 2 incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$6,500,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "Incidental Expenses"), as provided in the Resolution of the City Council of the City of Perris establishing the Community Facilities District No. 2018-1, (Green Valley-West Elm) of the City of Perris (the "Resolution"); and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses as authorized in the Resolution; and shall an appropriations limit be established for Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris pursuant to Article XIIB of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

YES

NO

Signature

Name

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS
APPROVING AND AUTHORIZING EXECUTION OF AN ACQUISITION
AND FUNDING AGREEMENT IN CONNECTION WITH THE
FORMATION OF COMMUNITY FACILITIES DISTRICT NO. 2018-1
(GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS**

WHEREAS, the City of Perris, California (the "City"), is taking proceedings pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code of the State of California (the "Act"), for the formation of Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "District") and Improvement Area No. 1 and Improvement Area No. 2 therein; and

WHEREAS, KB HOME Coastal Inc., a California corporation ("KB") is the owner of 35.71 acres of land that encompass Improvement Area No. 1 of the District; and

WHEREAS, Green Valley Recovery Acquisition, LLC, a Delaware limited liability company ("GVRA" and, together with KB, the "Developers") is the owner of 37.67 acres of land that encompass Improvement Area No. 2 of the District; and

WHEREAS, attached hereto as Exhibit "A" is the Acquisition and Funding Agreement, by and between the City and the Developers (the "Funding Agreement") relating to the authorized facilities and authorized fees to be acquired and funded by the City pursuant to the Act; and

WHEREAS, the City has determined that it is necessary and desirable to enter into the Funding Agreement.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris, as follows:

Section 1. That the above recitals are all true and correct and hereby incorporated herein by this reference.

Section 2. That said form of the Funding Agreement on file with the City Clerk is hereby approved, with such changes as may be approved by the Mayor, City Manager, Assistant City Manager or Finance Director (each, an "Authorized Officer"), said Authorized Officer's execution thereof to constitute conclusive evidence of said Authorized Officer's approval of all such changes, and each of said Authorized Officers be and is hereby authorized, together or alone to execute and deliver said Funding Agreement. The City Clerk or a duly authorized Deputy or Assistant City Clerk is hereby authorized to attest to said Authorized Officer's signature.

PASSED, APPROVED, AND ADOPTED at a regular meeting of the City Council of the City of Perris on this 31st day of July, 2018.

MAYOR OF THE CITY OF PERRIS

Attest:

CITY CLERK OF THE CITY OF PERRIS

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 No. _____ was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 31st day of July, 2018, and that it was so adopted by the following vote:

AYES:

NOES:

ABSENT:

By: _____

City Clerk

Exhibit "A"

FORM OF ACQUISITION AND FUNDING AGREEMENT

ACQUISITION AND FUNDING AGREEMENT

by and between

CITY OF PERRIS

And

**GREEN VALLEY RECOVERY ACQUISITION, LLC,
a Delaware limited liability company**

Dated July 31, 2018

**Community Facilities District No. 2018-1
(Green Valley-West Elm)
of the City of Perris**

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ACQUISITION AND FUNDING AGREEMENT

THIS ACQUISITION AND FUNDING AGREEMENT (this “Acquisition Agreement”) is made and entered into July 31, 2018, by and between the CITY OF PERRIS (the “City”), on behalf of itself and the District (defined below), and GREEN VALLEY RECOVERY ACQUISITION, LLC, a Delaware limited liability company (“GVRA LLC” and the “Property Owner”).

WITNESSETH:

WHEREAS, the City Council of the City (the “City Council”) has undertaken proceedings to form Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the “District”), 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”);

WHEREAS, the District will contain two improvement areas designated as “Improvement Area No. 1” and “Improvement Area No. 2” (each, an “Improvement Area”) as permitted by the Act;

WHEREAS, GVRA LLC is the master developer of the property in the District, described in Exhibit “A” hereto (the “Property”);

WHEREAS, Property Owner has conveyed all of the property within Improvement Area No. 1 to a merchant builder, KB HOME Coastal Inc. (“KB Home”), and expects to convey all of the property within Improvement Area No. 2 to a merchant builder;

WHEREAS, Property Owner has graded the Property and constructed or is in the process of constructing the major backbone infrastructure required to serve the Property;

WHEREAS, the Property Owner expects that KB Home will complete the development of Improvement Area No. 1 with 145 single family detached dwelling units (“DU”) and a merchant builder will complete the development of Improvement Area No. 2 with 169 single family detached DUs (the “Project”);

WHEREAS, the facilities described in Exhibit “B” hereto (the “Facilities”), are all authorized to be financed from the Special Taxes and Bonds of the Improvement Areas pursuant to this Acquisition Agreement;

WHEREAS, the City, on behalf of the District will, upon satisfaction of the conditions and in accordance with the terms set forth in this Acquisition Agreement, purchase the Financed Improvements and take title to such Financed Improvements and the Property Owner will be paid from the proceeds of the Special Taxes and Bonds for the costs of the acquisition of such Financed Improvements at the prices determined as set forth herein;

WHEREAS, Section 53313.5 of the Act provides that a community facilities district may only finance the purchase of facilities whose construction has been completed, as determined by the legislative body, before the resolution of formation to establish the community facilities

district is adopted pursuant to Section 53325.1 of the Act, except that a community facilities district may finance the purchase of facilities completed after the adoption of the resolution of formation if the facility was constructed as if it had been constructed under the direction and supervision, or under the authority of, the City;

WHEREAS, notwithstanding Section 53313.5 of the Act, at any time either before or after the formation of the District, the legislative body may accept advances of funds or work in-kind from any source, including, but not limited to, private persons or private entities, and may provide, by resolution, for the use of those funds or that work in-kind for any authorized purpose;

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 or work in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work in-kind, as determined by the legislative body, with or without interest, under all of the following conditions: (a) the proposal to repay the funds or the value or cost of the work in-kind, whichever is less, is included both in 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 adopted pursuant to Section 53325.1 of the Act, (b) any proposed special tax is approved by the qualified electors of the community facilities district pursuant to the Act, and (c) any work in-kind accepted pursuant to Section 53314.9 of the Act shall have been performed or constructed as if the work had been performed or constructed under the direction and supervision, or under the authority, of the City; and

WHEREAS, the Financed Improvements are to be acquired by the City under this Acquisition Agreement pursuant to the Act and, specifically, pursuant to the provisions of Sections 53313.5 and 53314.9 thereof.

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

ARTICLE I DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Article I shall have the meanings herein specified.

“Acceptable Title” means title to land, or an easement therein, delivered free and clear of all liens, taxes, assessments, leases, easements and encumbrances, whether any such item is recorded or unrecorded, except those non-monetary items which are either (a) required by the City or another public agency having jurisdiction thereover, or (b) reasonably determined by the City not to interfere materially with the intended use of such land or easement and therefore are not required to be cleared from title.

“Acceptance Date” means, with respect to a Financed Improvement, the date that the Financed Improvement is accepted by the City and Acceptable Title to the underlying land is conveyed to the City.

“Acquisition Agreement” means this Acquisition and Funding Agreement, dated July 31, 2018, by and between the City and the Property Owner, as originally executed or as the same may be amended from time to time in accordance with its terms.

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

“Actual Cost” means, with respect to a Financed Improvement, an amount equal to the sum of (a) the actual, reasonable cost of constructing such Financed Improvement, including labor, material and equipment costs, (b) the actual, reasonable cost of preparing the Plans for such Financed Improvement, (c) the amount of the fees actually paid by the Property Owner to governmental agencies in order to obtain permits, licenses or other necessary governmental approvals for such Financed Improvement, (d) the actual, reasonable cost for professional services directly related to the construction of such Financed Improvement, including engineering, inspection, construction staking, materials testing and similar professional services, (e) the actual, reasonable costs incurred for construction management and supervision, which cost shall not exceed 5% of the cost of constructing such Financed Improvement, as determined pursuant to clause (a) of this definition, (f) the actual, reasonable cost of any title insurance required hereby for such Financed Improvement, and (g) the actual, reasonable cost of any real property or interest therein acquired, from a party other than the Property Owner, which real property or interest therein is either necessary for the construction of such Financed Improvement (e.g., temporary construction easements, haul roads, etc.) and is required to be conveyed with such Financed Improvement in order to convey Acceptable Title thereto to the City, all as specified in a Payment Request that has been reviewed and approved by the City Engineer; provided, however, that no item of cost relating to a Financed Improvement shall be included in more than one category of cost under this definition.

“Bonds” means the bonds issued by the District on behalf of an Improvement Area thereof, if any, that are payable from and secured by Special Taxes in such Improvement Area, a portion of the proceeds of which are to be used to finance the Financed Improvements.

“CFD Proceeds” means either (i) prior to the issuance of Bonds of the Improvement Area, the Special Taxes levied and collected within an Improvement Area that are not required to pay administrative expenses of the Improvement Area, or (ii) following the issuance of Bonds of the Improvement Area, the Net Proceeds of the Bonds. [In clarification of the previous sentence, following the issuance of Bonds of the Improvement Area, the Property Owner will not be entitled to any surplus of funds remaining in the Improvement Fund collected through the levy of Special Taxes within the Improvement Areas.]

“City” means the City of Perris, a general law city organized and existing under the laws of the State, and its successors.

“District Representative” means the City Manager, Assistant City Manager or Finance Director of the City, or such other person as set forth in a certificate signed by the current District Representative, the City Manager, Assistant City Manager or Finance Director of the City, and delivered to the Property Owner, which certificate shall contain an original or specimen signature of each person so designated.

“Facilities” or “Facility” means the facilities or facility described in Exhibit “B” attached hereto.

“Financed Improvements” means those Facilities that the City has determined to acquire from the Property Owner with CFD Proceeds and for which the Property Owner has determined to construct and will seek payment from the CFD Proceeds for the Purchase Price of such Facilities.

“Fiscal Agent” means the entity initially acting as fiscal agent under the Fiscal Agent Agreement, and any successor thereto permitted under any Fiscal Agent Agreement.

“Fiscal Agent Agreement” means a Fiscal Agent Agreement pursuant to which Bonds are issued, as originally executed or as the same may be amended from time to time in accordance with its terms.

“Improvement Fund” means (i) prior to the issuance of Bonds of an Improvement Area, a special fund maintained by the City into which the Special Taxes collected with respect to an Improvement Area that are not required to pay administrative expenses of the Improvement Area shall be deposited and (ii) following the issuance of Bonds of the Improvement Area, the fund established under a Fiscal Agent Agreement into which the Net Proceeds of the Bonds shall be deposited.

“Net Proceeds of the Bonds” means the proceeds of each series of Bonds remaining after funding administrative fees, if applicable and at the discretion of the City, all costs of issuance of the Bonds, capitalized interest on the Bonds, if any, a reserve fund, a delinquency management fund or any like fund or account for the Bonds established by in accordance with the Fiscal Agent Agreement.

“Payment Request” means the document to be provided by the Property Owner to substantiate the Purchase Price of one or more Financed Improvements, which shall be in the form of Exhibit “D” attached hereto.

“Plans” means the designs, detailed bid documents, construction plans, specifications, and construction contracts for the Financed Improvements prepared or to be prepared at the direction of a Property Owner pursuant to Section 3.1 hereof.

“Property” means the real property located within the District.

“Property Owner” has the meaning assigned in the recitals hereto, and its successors and assigns.

“Property Owner Representative” means the person or persons signing this Acquisition Agreement on behalf the Property Owner or such person designated as such in a certificate signed by the Property Owner and delivered to the District and the Fiscal Agent, which certificate shall contain an original or specimen signature of each person so designated.

“Purchase Price” means, with respect to a Financed Improvement, subject to the provisions of Section 2.2 hereof, the Actual Cost of such Financed Improvement.

“Special Taxes” means the special taxes approved and authorized by the qualified electors of each Improvement Area of the District to be levied in the Improvement Area of the District to finance, among other things, the Facilities, and to pay debt service on the Bonds to finance the Facilities.

“State” means the State of California.

ARTICLE II ACQUISITION OF FACILITIES

Section 2.1. Acquisition of Financed Improvements. For each Financed Improvement, the Property Owner hereby agrees to sell to the City, and the City hereby agrees to purchase from the Property Owner, each Financed Improvement constructed by the Property Owner for the Purchase Price thereof, subject to the terms and conditions hereof. Title to each Financed Improvement purchased pursuant hereto shall be conveyed by appropriate instrument by the Property Owner to the City as of the Acceptance Date of such Financed Improvement.

In order to finance the Financed Improvements, the District expects to levy Special Taxes and issue Bonds. The Financed Improvements are to be acquired, constructed and installed with the CFD Proceeds deposited in the Improvement Fund. Neither the City nor the District is obligated to pay the Purchase Price of the Financed Improvements except from the CFD Proceeds. Neither the District nor the City makes any warranty, either express or implied, that the District will be able to issue and sell Bonds or that the CFD Proceeds available for the payment of the Purchase Price of the Financed Improvements will be sufficient for such purpose. [Prior to the issuance of Bonds to finance the Financed Improvements, the City at its sole discretion, may manage the funds collected through the levy of Special Taxes within the Improvement Areas for any purposes before the funds are deemed CFD Proceeds. In clarification of the foregoing, prior to the issuance of Bonds, the City is not obligated to use the funds collected through the levy of Special Taxes to finance the Financed Improvements, but may use those funds at the City’s discretion to finance the Financed Improvements.]

Notwithstanding anything in this Acquisition Agreement to the contrary, this Acquisition Agreement shall not obligate the Property Owner to construct Facility in the manner set forth in this Acquisition Agreement, or obligate the Property Owner to otherwise comply with any of the provisions of this Acquisition Agreement concerning, among other things, bidding, financing, insuring, maintaining and constructing any Facility, unless the Property Owner seeks payment or reimbursement for such Facility from the CFD Proceeds as a Financed Improvement; provided, Property Owner must comply with provisions of this Acquisition Agreement and applicable law with respect to such Financed Improvement. In clarification of the foregoing, the parties agree that if the Property Owner wants to pay or to be paid or reimbursed for the costs of any Facility from the CFD Proceeds as a Financed Improvement, it must comply with the provisions of this Acquisition Agreement with respect to the Facility for which reimbursement is sought. If the Property Owner choose not pay or to seek reimbursement for a particular Facility from the CFD Proceeds as a Financed Improvement, then the Property Owner may construct such Facility without complying with the provisions of this Acquisition Agreement, except to the extent the Property Owner may be required to comply with certain provisions hereunder or under applicable law.

Section 2.2. Payment of Purchase Price. In order to receive the Purchase Price for a completed Financed Improvement, the Property Owner shall deliver to the District Representative and the City Engineer (a) a Payment Request for such Financed Improvement, together with all attachments and exhibits to be included therewith, (b) a copy of either the recorded documents that conveyed, or documents suitable for recording and conveying, to the City Acceptable Title to the real property on, in or over which such Financed Improvement is located, as described in Section 2.3 hereof, and (c) a copy of the recorded Notice of Completion of such Financed Improvement filed in accordance with Section 3093 of the California Civil Code, if applicable, and (d) such other documentation as may be requested by the City in order to best transfer its interest in the Financed Improvement.

Upon receipt of a completed Payment Request (and accompanying documentation) for a Financed Improvement, the City Engineer shall conduct a review in order to confirm that such Financed Improvement was constructed in accordance with the Plans therefor and to verify and approve the Actual Cost of such Financed Improvement specified in such Payment Request. The Property Owner agrees to cooperate with the City Engineer in conducting each such review and to provide the City Engineer with such additional information and documentation as is reasonably necessary for the City Engineer to conclude each such review. The City agrees to cause the City Engineer to conduct such review without unreasonable delay. If the City Engineer determines that the Actual Cost specified in such Payment Request as initially submitted exceeds the Property Owner's actual, reasonable cost of constructing such Financed Improvement, the Property Owner shall resubmit such Payment Request, with the Actual Cost specified therein modified so as to take into account such determination by the City Engineer. Upon confirmation that such Financed Improvement has been constructed in accordance with the Plans therefor, and verification and approval of the Actual Cost of such Financed Improvement, the City Engineer shall sign the Payment Request and forward the same to the District Representative. Upon receipt of the reviewed and fully signed Payment Request, the District Representative shall, without unreasonable delay, direct the Trustee to pay the Purchase Price of such Financed Improvement to the Property Owner out of one or more Improvement Funds (or accounts therein), but only to the extent of funds on deposit in the Improvement Funds (or accounts therein). Any Payment Request not paid due to an insufficiency of funds in the applicable Improvement Funds (or accounts therein) shall be paid promptly following the deposit into said Improvement Funds (or accounts therein) of additional CFD Proceeds, any investment earnings or other amounts transferred to the Improvement Funds under the terms of the Fiscal Agent Agreement, if any. Notwithstanding, anything herein to the contrary, the District Representative shall only pay the Purchase Price of the Financed Improvement upon receipt of the items (a) through (c) and (d), as applicable, listed above in addition to the Payment Request such that the City may acquire said Financed Improvement.

Section 2.3. Dedication of Property and Easements to the City. Acceptable Title to all property on, in or over which each Financed Improvement will be located shall be conveyed to the City by way of grant deed or dedication of such property, or easement thereon, if such easement is approved by the City as being a sufficient interest therein to permit the City to properly own, operate and maintain such Financed Improvement located therein, thereon or thereover, and to permit the Property Owner to perform its obligations as set forth in this Acquisition Agreement.

For the City to acquire a Financed Improvement, the Property Owner shall transfer ownership of such Financed Improvement to the City by grant deed, bill of sale or such other

documentation as the City may require.. Notwithstanding the foregoing sentence, the Property Owner may transfer completed Financed Improvements to the City prior to the availability of sufficient funds in the Improvement Funds with the understanding that the Purchase Price for such Financed Improvements will be payable if, and when, such funds become available. The Purchase Price may be paid in [at most two (2)] installments as and to the extent funds are subsequently deposited in any Improvement Fund [following Property Owner's transfer of the Financed Improvement.] The conveyance of the Financed Improvements to the City prior to the issuance of Bonds shall be made with the expectation of payment of the Purchase Price from the CFD Proceeds subsequently deposited in the Improvement Funds, and such conveyance shall not be construed as a dedication or gift of the Financed Improvements, or a waiver of payment of the Purchase Price for such Financed Improvements.

Upon the request of the City, the Property Owner shall furnish to the City a preliminary title report for such property not previously dedicated or otherwise conveyed to the City that is required for a Financed Improvement, for review and approval at least 20 calendar days prior to the transfer of Acceptable Title to the Financed Improvement to the City. The City shall approve the preliminary title report unless it reveals a matter which, in the reasonable judgment of the City, could materially affect the City's use and enjoyment of any part of the property or easement covered by the preliminary title report. In the event the City does not approve the preliminary title report, the City shall not be obligated to accept title to such Financed Improvement, and the District shall not be obligated to pay any portion of the Purchase Price for such Financed Improvement, until the Property Owner has cured such objections to title to the reasonable satisfaction of the City. Upon the request of the City, at the time title to such Financed Improvement is conveyed to the City, the Property Owner shall furnish to the City a CLTA title insurance policy in the amount of the Purchase Price of such Financed Improvement, which title policy shall be issued by an insurance company reasonably acceptable to the City and shall insure the City's interest in such Financed Improvement, subject only to the title exceptions set forth in the previously approved preliminary title report.

Section 2.4. Modifications To Financed Improvements. The District, the City and the Property Owner may make modifications to the Facilities described in Exhibit "B", whenever the District, the City and the Property Owner deem such modifications to be appropriate. Any such modification shall be implemented by the District, the City and the Property Owner by executing a supplement to Exhibit "B" containing a description of the modifications. Upon the execution of any such supplement to Exhibit "B", the description of such Facilities in Exhibit "B" shall be deemed to have been modified in accordance therewith. All of the Financed Improvements may be financed with CFD Proceeds from either or both Improvement Areas regardless of the location of the Financed Improvements.

Upon written request of the Property Owner, the City Engineer shall consider modification of the description of any Facilities, provided such modifications do not increase the Facilities authorized to be financed by the resolution of formation or resolution of change adopted by the City Council in connection with the District.

Section 2.5. Construction in Advance of Payment. The parties hereto acknowledge that (i) the Property Owner will be constructing the Financed Improvements prior to the issuance of Bonds the proceeds of which will be used to pay the Property Owner for those Financed Improvements, (ii) the Property Owner will be submitting Payment Requests to the City in advance of such an issuance of Bonds, with knowledge that there may be insufficient funds

available in the Improvement Fund (or accounts therein) for reimbursement, (iii) the Financed Improvements that are the subject of the Payment Requests submitted when there are insufficient CFD Proceeds will be inspected and reviewed as set forth herein and that such Payment Requests will be reviewed and submitted to the District Representative in the manner set forth in Section 2.2, and (iv) the payment for any Payment Requests approved in the preceding manner will be deferred until there are sufficient CFD Proceeds in the Improvement Funds (or accounts therein) to make such payment, at which time the District Representative' shall direct the Trustee to pay all or a portion of the Purchase Price of such Financed Improvement to the Property Owner out of one or more Improvement Funds (or accounts therein) identified by the Property Owner in the Payment Request. Notwithstanding, anything herein to the contrary, the District Representative shall only pay the Purchase Price of the Financed Improvement upon receipt of the items (a) through (c) listed in Section 2.2 above in addition to the Payment Request such that the City may acquire said Financed Improvement.

ARTICLE III CONSTRUCTION OF FACILITIES

Section 3.1. Preparation and Approval of Plans and Specifications. To the extent that it has not already done so, the Property Owner shall cause Plans to be prepared for the Financed Improvements to be constructed by the Property Owner. The Plans shall conform to all applicable federal, state and local governmental rules, ordinances, and regulations and all applicable environmental protection laws. All Plans shall be subject to review and written approval by the City Engineer and/or its designee, and the applicable public agencies. Preliminary and final plans and specifications for Financed Improvements to be constructed by the Property Owner shall be submitted to the City and the applicable public agencies for review and approval. The Property Owner, the City or the District, as applicable, shall then obtain the approval of the appropriate acquiring public agencies of the construction plans, specifications and construction documents. The Financed Improvements to be acquired or constructed with the CFD Proceeds shall be constructed in accordance with public agency contracting requirements, including the payment of prevailing wages, in addition to all conditions of approval and requirements of the City.

Section 3.2. Duty of Property Owner to Construct. This Acquisition Agreement does not obligate the Property Owner to construct any of the Facilities. However, if the Property Owner determine to seek payment from the CFD Proceeds for the costs to construct any such Facilities, then this Acquisition Agreement shall obligate the Property Owner to construct those Financed Improvements in the manner set forth herein, and to convey the Financed Improvements to the City in the manner set forth herein. For the Financed Improvements, the Property Owner shall construct or cause to be constructed such Financed Improvements in accordance with the approved Plans. Once it is determined to seek payment from CFD Proceeds for the cost to construct a Financed Improvement or Segment thereof, the Property Owner shall perform all of its obligations hereunder and shall conduct all operations with respect to the construction of the Financed Improvements and Segments thereof in a good, workmanlike and commercially reasonable manner, with the standard of diligence and care normally employed by duly qualified persons utilizing their commercially reasonable efforts in the performance of comparable work and in accordance with generally accepted practices appropriate to the activities undertaken.

Section 3.3. Public Works Requirements. In order to insure that the Financed Improvements will be constructed as if they had been constructed under the direction and supervision, or under the authority of, the City, so that they may be acquired pursuant to California Government Code Section 53313.5 or so that the value or cost, whichever is less, of portions thereof constituting work in-kind may be reimbursed pursuant to California Government Code Section 53314.9, for the Financed Improvements, the Property Owner shall comply with the following requirements or shall cause such requirements to be complied with:

(i) The Property Owner shall use commercially best efforts to bid out each Financed Improvement to a minimum of three (3) qualified bidders and to award the contract for the construction of each Financed Improvement to the responsible bidder submitting the lowest responsive bid for the construction of such Financed Improvement or, if the Property Owner elects to perform the work pursuant to Section 53329.5 of the Act, the Property Owner shall perform the work at the prices specified in the bid of the lowest responsible bidder.

(ii) The Property Owner shall require, and the specifications and bid and contract documents shall require, all contractors engaged to perform work on a Financed Improvement to pay prevailing wages and to otherwise comply with applicable provisions of the California Labor Code, the California Government Code and the California Public Contracts Code relating to public works projects of cities.

(iii) Each contractor engaged to perform work on a Financed Improvement shall be required to furnish (a) labor and material payment bonds, and (b) contract performance bonds, each in an amount equal to 100% of the contract price naming the Property Owner and the City as obligees and issued by insurance or surety companies approved by the City. All such bonds shall be in a form approved by the City. Rather than requiring its contractors to provide such bonds, the Property Owner may elect to provide the same for the benefit of its contractors.

(iv) Each contractor engaged to perform work on a Financed Improvement shall be required to provide proof of insurance coverage conforming to the requirements of Section 3.7 hereof throughout the term of the construction of such Financed Improvement, and such contractor shall be required to perform such work in conformance with all applicable federal and State law and the ordinances and policies of the City.

(v) The Property Owner and the City and all such contractors shall comply with such other requirements relating to the construction of the Financed Improvements as the City may impose by written notification delivered to the Property Owner and each such contractor, to the extent required as a result of changes in applicable State or federal laws or the ordinances and policies of the City.

The Property Owner shall provide proof to the City, at such intervals and in such form as the City may require that the foregoing requirements have been satisfied as to all of the Financed Improvements.

Section 3.4. Performance Bonds. Upon commencement of construction of a Financed Improvement, the Property Owner shall be required to secure the construction and completion of construction of such Financed Improvement as required by Sections 66499 through 66499.10 of the California Government Code and the Perris Municipal Code. The Property Owner's

obligations pursuant to this Section may be satisfied through the contract performance bonds to be provided by the Property Owner's contractors pursuant to Section 3.3 hereof.

Section 3.5. Inspection; Completion of Construction. The City shall have primary responsibility for providing inspection of the work of construction of the Financed Improvements to insure that the work of construction is accomplished in accordance with the Plans. The City's personnel shall have access to the site of the work of construction at all reasonable times for the purpose of accomplishing such inspection. Upon the completion of the construction of a Financed Improvement to the satisfaction of the City's inspectors, the Property Owner shall notify the District Representative, the City and the City Engineer in writing that the construction of such Financed Improvement has been completed in accordance with the Plans.

Upon receiving such written notification from the Property Owner, and upon receipt of written notification from its inspectors that construction of a Financed Improvement has been completed in accordance with the Plans and the City's standard requirements, the City shall, without unreasonable delay, notify the Property Owner in writing that the construction of such Financed Improvement has been satisfactorily completed and shall accept the Financed Improvement pursuant to this Acquisition Agreement. Upon receiving such notification, the Property Owner shall forthwith file with the Riverside County Recorder a Notice of Completion as applicable. The Property Owner shall furnish to the City a duplicate copy of each such Notice of Completion showing thereon the date of filing with said County Recorder.

Section 3.6. Maintenance of Financed Improvements; Warranties. The Property Owner shall maintain each Financed Improvement in good and safe condition until the Acceptance Date thereof. As of the Acceptance Date of a Financed Improvement, the performance bond provided by the Property Owner for such Financed Improvement pursuant to Section 3.4 hereof shall be reduced to an amount equal to 20% (unless the City requires otherwise as a condition of approval or per another agreement) of the original amount thereof and shall serve as a warranty bond to guarantee that such Financed Improvement will be free from defects due to faulty workmanship or materials for a period of 12 months from the Acceptance Date of such Financed Improvement, or the Property Owner may elect to provide a new warranty bond in such an amount. As of the Acceptance Date of a Financed Improvement, the Property Owner shall assign to the City all of the Property Owner's rights in any warranties, guarantees, maintenance obligations or other evidence of contingent obligations of third persons with respect to such Financed Improvement.

Section 3.7. Insurance Requirements. The Property Owner shall, at all times prior to the final Acceptance Date of all Financed Improvements, maintain, deliver to the City and keep in full force and effect, or cause to be maintained, delivered to the City and kept in full force and effect, insurance in conformance with the requirements set forth below. The Property Owner will use existing coverage to comply with these requirements. If that existing coverage does not meet the requirements set forth herein, it will be amended to do so. The Property Owner acknowledges that the insurance coverage and policy limits set forth in this section constitute the minimum amount of coverage required. Any insurance proceeds in excess of the limits and coverage required in this Acquisition Agreement and which is applicable to a given loss, will be available to the City.

(i) The Property Owner shall provide the following types and amounts of insurance:

(A) Commercial General Liability Insurance using Insurance Services Office (“ISO”) “Commercial General Liability” policy form CG 00 01 or the exact equivalent. Defense costs must be paid in addition to limits. There shall be no cross liability exclusion for claims or suits by one insured against another. Limits shall be no less than \$2,000,000 per occurrence for all covered losses and no less than \$2,000,000 general aggregate.

(B) Workers' Compensation on a state-approved policy form providing statutory benefits as required by law with employer's liability limits no less than \$1,000,000 per accident for all covered losses.

(C) Business Auto Coverage on ISO Business Auto Coverage form CA 00 01 including symbol I (Any Auto) or the exact equivalent. Limits shall be no less than \$1,000,000 per accident, combined single limit. If the Property Owner owns no vehicles, this requirement may be satisfied by a non-owned auto endorsement to the general liability policy described above. If the Property Owner or the Property Owner's employees will use personal autos in any way relating to this Acquisition Agreement, the Property Owner shall provide evidence of personal auto liability coverage for each such person.

(D) Excess of Umbrella Liability Insurance (Over Primary) if used to meet limit requirements, shall provide coverage at least as broad as specified for the underlying coverages. Any such coverage provided under an umbrella liability policy shall include a “drop down” provision with a maximum \$25,000 self-insured retention for liability not covered by primary but covered by the umbrella. Coverage shall be “pay on behalf”, with defense costs payable in addition to policy limits. There shall be no cross liability exclusion precluding coverage for claims or suits by one insured against another. Coverage shall be applicable to the City and the District for injury to employees of the Property Owner, subcontractors or other involved in the performance of the acts contemplated by this Acquisition Agreement. The scope of coverage provided is subject to approval of the City and the District following receipt of proof of insurance as required herein.

(E) Construction Risk Insurance

Insurance procured pursuant to the requirements set forth in this section shall be written by insurers that are admitted carriers in the state of California and with an A.M. Best rating of A- or better and a minimum financial size of VII.

(ii) The Property Owner and the City agree as follows:

(A) The Property Owner agrees to endorse the third party general liability coverage required herein to include as additional insureds the City, the District, and their respective officials, employees and agents, using standard ISO endorsement No. CG 2010 with an edition date of 1985. The Property Owner also agrees to require all contractors, subcontractors, and anyone else involved in any way with the acquisition or construction of the Financed Improvements contemplated by this Acquisition Agreement to do likewise.

(B) Any waiver of subrogation express or implied on the part of the City or the District to any party involved in this Acquisition Agreement or related documents applies only to the extent of insurance proceeds actually paid. The City and the District, having required that each be named as an additional insured to all insurance coverage required herein,

expressly retain the right to subrogate against any party for sums not paid by insurance. For its part, the Property Owner agrees to waive subrogation rights against the City and the District regardless of the applicability of any insurance proceeds, and to require all contractors, subcontractors or others involved in any way with the acquisition or construction of the Financed Improvements contemplated by this Acquisition Agreement, to do likewise.

(C) All insurance coverage maintained or procured by the Property Owner or required of others by the Property Owner pursuant to this Acquisition Agreement shall be endorsed to delete the subrogation condition as to the City and the District, or to specifically allow the Property Owner or others providing insurance herein to waive subrogation prior to a loss. This endorsement shall be obtained regardless of existing policy wording that may appear to allow such waivers.

(D) It is agreed by the Property Owner and the City that insurance provided pursuant to these requirements is not intended by any party to be limited to providing coverage for the vicarious liability of the City, or to the supervisory role, if any, of the City. All insurance coverage provided pursuant to this or any other agreement (express or implied) in any way relating to the City or the District is intended to apply to the full extent of the policies involved. Nothing referred to here or contained in any agreement involving the City or the District in relation to the Facilities contemplated by this Acquisition Agreement is intended to be construed to limit the application of insurance coverage in any way.

(E) None of the coverages required herein will be in compliance with these requirements if they included any limiting endorsements of any kind that has not been first submitted to the City and the District and approved in writing.

(F) All coverage types and limits required are subject to approval, modification and additional requirements by the City and the District, as the need arises. The Property Owner shall not make any reductions in scope of coverage (e.g., elimination of contractual liability or reduction of discovery period) which may affect either the City or the District's protection without the City's and the District's prior written consent.

(G) Proof of compliance with these insurance requirements, consisting of binders of coverage, or endorsements, or certificates of insurance, at the option of the City and the District, shall be delivered to the City and the District at or prior to commencement of construction of the Financed Improvements. In the event such proof of any insurance is not delivered as required, or in the event such insurance is canceled at any time and no replacement coverage is provided, the City and the District have the right, but not the duty, to obtain any insurance they deem necessary to protect their respective interests under this or any other agreement and to pay the premium. Any premium so paid by the City or the District shall be charged to and promptly paid by the Property Owner or deducted from sums due to the Property Owner, at the City's and the District's option.

(H) The Property Owner agrees to endorse, and to require others to endorse, the insurance provided pursuant to these requirements, to require thirty (30) days notice to the City and the District and the appropriate tender prior to cancellation of such liability coverage and notice of any material alteration or non-renewal of any such coverage, and to require contractors, subcontractors, and any other party in any way involved with the Financed Improvements contemplated by this Acquisition Agreement to do likewise.

(I) It is acknowledged by the parties to this Acquisition Agreement that all insurance coverage required to be provided by the Property Owner or any subcontractor, is intended to apply first and on a primary non-contributing basis in relation to any other insurance or self-insurance available to the City and the District.

(J) The Property Owner agrees to ensure that subcontractors, and any other party involved with the Financed Improvements who is brought on to or involved in the acquisition or construction of the Financed Improvements by the Property Owner, provide the same minimum insurance coverage required of the Property Owner. The Property Owner agrees to monitor and review all such coverage and assume all responsibility for ensuring that such coverage is provided in conformity with the requirements of this section. The Property Owner agrees that upon request, all agreements with subcontractors and others engaged in the Financed Improvements will be submitted to the City and the District for review.

(K) The Property Owner agrees that all layers of third party liability coverage required herein, primary, umbrella and excess, will have the same starting and expiration date. The Property Owner agrees further that all other third party coverages required herein will likewise have concurrent starting and ending dates.

(L) The Property Owner agrees not to self-insure or to use any self-insured retentions or deductibles on any portion of the insurance required herein and further agrees that it will not allow any contractor, subcontractor, architect, engineer or other entity or person in any way involved in the performance of work on the Financed Improvements contemplated by this Acquisition Agreement to self-insure its obligations to the City and the District. If the Property Owner's existing coverage includes a deductible or self-insured retention, the deductible or self-insured retention must be declared to the City and the District. At that time the City and the District shall review options with the Property Owner, which may include reduction or elimination of the deductible or self-insured retention, substitution of other coverage, or other solutions.

(M) For purposes of applying insurance coverage only, all contracts pertaining to the Financed Improvements will be deemed executed when finalized and any activity commences in furtherance of performance under this Acquisition Agreement.

(N) The Property Owner acknowledges and agrees that any actual or alleged failure on the part of the City or the District to inform the Property Owner of non-compliance with any insurance requirements in non way imposes any additional obligations on the City or the District nor does it waive any rights hereunder in this or any other regard.

(O) The Property Owner will renew the required coverage annually as long as the City and the District, or their respective employees or agents face an exposure from operations of any type pursuant to this Acquisition Agreement. This obligation applies whether or not the Acquisition Agreement is canceled or terminated for any reason. The insurance shall include but not be limited to products and completed operations and discontinued operations, where applicable. Termination of this obligation is not effective until the City and the District each execute a written statement to that effect.

(P) The Property Owner agrees to waive its statutory immunity under any workers' compensation statute or similar statute, in relation to the City and the District, and

to require all subcontractors and any other person or entity involved in the acquisition or construction of the Financed Improvements contemplated by this Acquisition Agreement to do likewise.

(Q) Requirements of specific coverage features are not intended as limitations on other requirements or as a waiver of any coverage normally provided by any given policy. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue, and is not intended by any party or insured to be all-inclusive.

(R) All liability coverage provided according to these requirements must be endorsed to provide a separate aggregate limit for the Financed Improvements that are the subject of this Acquisition Agreement and evidencing products and completed operations coverage for not less than two years after issuance of a final certificate of occupancy by all appropriate government agencies or acceptance of the completed work by the City.

(S) The Property Owner agrees to obtain and provide to the City and the District, a copy of Professional Liability coverage for architects or engineers working on the Financed Improvements through the Property Owner. The City shall determine the liability limit.

Section 3.8. Ownership of Financed Improvements. Notwithstanding the fact that some or all of the Financed Improvements may be constructed in dedicated street rights-of-way or on property which has been or will be dedicated to the City, the Financed Improvements shall be and remain the property of the Property Owner until Acceptable Title thereto is conveyed to and accepted by the City as provided herein.

ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS; INDEMNIFICATION; DAMAGES

Section 4.1. Representations, Warranties and Covenants of the Property Owner. The Property Owner makes the following representations, warranties and covenants for the benefit of the City:

(i) *Organization.* The Property Owner hereby represent and warrant that the Property Owner is an organization duly organized and validly existing and in good standing under the laws of the State of Delaware, is authorized to conduct business in the State of California, and has the power and authority to own its properties and assets and to carry on its business as now being conducted and as now contemplated.

(ii) *Authority.* The Property Owner represents and warrants that the Property Owner has the power and authority to enter into this Acquisition Agreement, and has taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered on behalf of the Property Owner.

(iii) *Binding Obligation.* The Property Owner represents and warrants that this Acquisition Agreement is a valid and binding obligation of the Property Owner and is enforceable against the Property Owner in accordance with its terms.

(iv) *Completion of Financed Improvements.* The Property Owner covenants that they will use their reasonable and diligent efforts to do all things which may be lawfully required of them in order to cause the Financed Improvements to be completed in accordance with this Acquisition Agreement.

(v) *Compliance with Laws.* The Property Owner covenants that it will not commit, suffer or permit any act to be done in, upon or to the Financed Improvements in violation of any law, ordinance, rule, regulation or order of any governmental authority or any covenant, condition or restriction now or hereafter affecting the Property or the Financed Improvements.

(vi) *Requests for Payment.* The Property Owner represents and warrants that (a) it will not request payment from the District for the acquisition of any improvements that are not part of a Financed Improvement, and (b) it will diligently follow all procedures set forth in this Acquisition Agreement with respect to the Payment Requests and will submit the correct forms and attachments required by the Acquisition Agreement in connection therewith.

(vii) *Financial Records.* Until the final Acceptance Date of the Financed Improvements, the Property Owner covenants to maintain proper books of record and account for the Financed Improvements and all costs related thereto. The Property Owner covenants that such accounting books will be maintained in accordance with generally accepted accounting principles, and will be available for inspection by the District and the City, and their respective agents, at any reasonable time during regular business hours on reasonable notice.

(viii) *Hazardous Materials.* The Property Owner represents and warrants that except as used in the normal course of construction on the Property, to the actual knowledge of the Property Owner there is not present upon the Property, or any portion thereof, or upon any portion of the Facilities currently existing, or any portion thereof, any Hazardous Materials, as defined below, including, but not limited to, asbestos, or any structure, fixtures, equipment, or other objects or materials containing Hazardous Materials including, but not limited to, asbestos. The Property Owner represents and warrants that to the actual knowledge of the Property Owner all operations or activities upon, or use or occupancy of the Property and the Facilities, and each portion thereof, by the Property Owner, is in all material respects in compliance with all state, federal and local laws, ordinances, regulations, rules, decisions or policy statements governing or in any way relating to the generation, handling, manufacturing, treatment, storage, use, transportation, spillage, leakage, dumping, discharge or disposal (whether accidental or intentional) of any toxic or hazardous substances, materials, or wastes, including, but not limited to, Hazardous Materials. The Property Owner represents and warrants that to the actual knowledge of the Property Owner there is no proceeding or inquiry by any governmental authority body or agency with respect to the presence of Hazardous Materials on the Property or the Facilities or the migration thereof from or to other property. The Property Owner represents and warrants that neither the Property Owner, nor any subcontractor, agent or employee thereof will use, generate, manufacture, procure, store, release, discharge or dispose of any Hazardous Material on, under or about the Property or the Facilities or transport any Hazardous Material to or from the Property or the Facilities in violation of any federal, state or local law, ordinance, regulation, rule, decision or policy statement regulating Hazardous Material. "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (a)

designated as a “hazardous substance” pursuant to Section 311 of the Federal Water Pollution Control Act, 33 U.S.C. § 1251 *et seq.* (33 U.S.C. § 1321), (b) defined as a “hazardous waste” pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.* (42 U.S.C. § 6903), (c) defined as a “hazardous substance” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 *et seq.*, (d) petroleum, or (e) asbestos.

(ix) *Permits.* The Property Owner covenants that they will obtain all governmental or other permits required to proceed with the acquisition, construction and installation of the Financed Improvements and that it will pay all fees relating thereto. The Property Owner covenants that they will obtain all such permits as have not yet been obtained and will pay all fees relating thereto that have not been paid.

(x) *No Material Impediment.* The Property Owner represents and warrants that to the best of the Property Owner’s knowledge there is no material impediment to the Property Owner’s proceeding with and completing the acquisition, construction and installation of the Financed Improvements or to the development of the Property as contemplated by the Property Owner.

(xi) *KB Home.* The Property Owner represents and warrants that (A) none of the Financed Improvements have been or will be constructed on land owned by KB Home, (B) KB Home will not be constructing any of the Financed Improvements, (C) KB Home is not entitled to and has no claim to any CFD Proceeds, and (D) KB Home has authorized the levy and use of any Special Taxes within Improvement Area No. 2 for the purposes contemplated within this Acquisition Agreement. KB Home has acknowledged and certified the completeness of this information as described in Exhibit “C”.

Section 4.2. Representations, Warranties and Covenants of the City and the District. The City and the District make the following representations, warranties and covenants for the benefit of the Property Owner:

(i) *Authority.* The City and the District represent and warrant that the City and the District have the power and authority to enter into this Acquisition Agreement, and have taken all action necessary to cause this Acquisition Agreement to be executed and delivered, and this Acquisition Agreement has been duly and validly executed and delivered on behalf of the City and the District.

(ii) *Binding Obligation.* The City and the District represent and warrant that this Acquisition Agreement is a valid and binding obligation of the City and the District and is enforceable against the City and the District in accordance with its terms.

(iii) *Completion of Financed Improvements.* The City covenants that it will use its reasonable and diligent efforts to take all actions which may be lawfully required of it in issuing permits, processing and approving Plans and inspecting and accepting the Financed Improvements in accordance with this Acquisition Agreement, the City’s requirements and applicable law.

(iv) *Request for Payment.* The City and the District represent and warrant that each will diligently follow all procedures set forth in this Acquisition Agreement with respect to each Payment Request and Disbursement Request.

(v) *Financial Records.* The City and the District covenant to maintain proper books of record and account with respect to the Bonds and all funds and accounts established pursuant to the Fiscal Agent Agreement.

(vi) *Permits.* The City and the District represent and warrant that they have no actual knowledge of any material impediment to the Property Owner's proceeding or completing the acquisition, construction and installation of any of the Facilities as contemplated by this Acquisition Agreement and the existing land use approvals with respect to the Property.

Section 4.3. Indemnification. To the fullest extent permitted by law, the Property Owner agrees to protect, indemnify, defend and hold the District and the City, and their respective officers, employees and agents, and each of them, harmless from and against any and all claims, losses, expenses, suits, actions, decrees, judgments, awards, attorney's fees, and court costs which the District or the City, or their respective officers, employees and agents, or any combination thereof, may suffer or which may be sought against or recovered or obtained from the District or the City, or their respective officers, employees or agents, or any combination, thereof as a result of or by reason of or arising out of this Agreement or in consequence of (a) the acquisition, construction, installation or financing of the Financed Improvements, (b) the untruth or inaccuracy of any representation or warranty made by the Property Owner in this Acquisition Agreement or in connection with the Bonds, or (c) any act or omission, negligent or otherwise, of the Property Owner or any developer or any of its subcontractors, agents or anyone who is directly employed by or acting in connection with the Property Owner or any of their subcontractors, or agents, in connection with the acquisition, construction, installation or financing of the Financed Improvements. If the Property Owner fails to do so, the District and the City shall have the right, but not the obligation, to defend the same and charge all of the direct or incidental costs of such defense, including any reasonable attorneys fees or court costs, to and recover the same from the Property Owner.

No indemnification is required to be paid by the Property Owner for any claim, loss or expense arising from the willful misconduct or gross negligence of the District or the City, or their respective officers, employees or agents.

The provisions of this Section shall survive the termination of this Acquisition Agreement.

Section 4.4. Remedies in General; Damages Limited. The Property Owner acknowledges that neither the District nor the City would have entered into this Acquisition Agreement if it were to be liable in damages under or with respect to this Acquisition Agreement. Any and all obligations of the District and the City hereunder shall be payable only from proceeds of Bonds, to the extent such proceeds may become available. Neither the District nor the City shall have any pecuniary liability for any act or omission of the District or the City, except as set forth in this Section. In no event will an act, or an omission or failure to act, by the District or the City with respect to the sale or proposed sale of Bonds subject the District or the City to pecuniary liability therefor.

In general, each of the parties hereto may pursue any remedy at law or equity available for the breach of any provision of this Acquisition Agreement; provided, however, that the District and the City shall not be liable in damages to the Property Owner. In light of the foregoing, the Property Owner covenants to the extent permitted by law not to sue for or claim any damages for any alleged breach of, or dispute which arises out of, this Acquisition Agreement, other than to compel payment of CFD Proceeds by the District to the Property Owner for the acquisition of the Financed Improvements in accordance with the provisions hereof and other than as set forth in Section 6.6.

**ARTICLE V.
LEVY OF SPECIAL TAXES AND PRIORITY OF BOND PROCEEDS**

Section 5.1. Levy of Special Taxes. As permitted in the Rate and Method of Apportionment of Special Taxes (“RMA”) for each Improvement Area, Special Taxes shall be levied and each parcel classified as “Developed Property” pursuant to the RMA beginning in the first fiscal year in which a parcel is classified as Developed Property. Such Special Taxes levied and collected by the City within an Improvement Area prior to the issuance of Bonds of the Improvement Area that are not required to pay administrative expenses of the Improvement Area shall be considered CFD Proceeds and, when received each fiscal year, shall be deposited in the Improvement Fund.

Section 5.2. Priority of Net Proceeds of Bonds. Property Owner authorizes the City’s fee of \$1,000 per DU within each Improvement Area. Property Owner authorizes the City to use the Net Proceeds of Bonds of each Improvement Area, an amount equal to \$1,000 per DU within the Improvement Area shall not be available to fund Financed Improvements but shall instead be set aside and available to the City to fund public facilities as determined by the City in its sole discretion.

Section 5.3. Pledge of CFD Proceeds. [Reserved]

**ARTICLE VI
MISCELLANEOUS**

Section 6.1. The Property Owner as Independent Contractor. In performing under this Acquisition Agreement, it is mutually understood that the Property Owner is acting as an independent contractor, and not an agent of the District or the City. Neither the District nor the City shall have any responsibility for payment to any contractor, subcontractor or supplier of the Property Owner.

Section 6.2. Other Agreements. Nothing contained herein shall be construed as affecting the City’s or the Property Owner’s respective rights or duties to perform its respective obligations under other agreements, land use regulations or subdivision requirements relating to the development of the Property, which obligations are and shall remain independent of the Property Owner’s rights and obligations, and the City’s rights and obligations, under this Acquisition Agreement; provided, however, that the Property Owner shall use its reasonable and diligent efforts to perform each and every covenant to be performed by it under any lien or encumbrance, lease, sublease, instrument, declaration, covenant, condition, restriction, license,

order, or other agreement, the nonperformance of which would or may materially and adversely affect the acquisition, construction and installation of the Financed Improvements.

Section 6.3. Binding on Successors and Assigns. Neither this Acquisition Agreement nor the duties and obligations of the Property Owner hereunder may be assigned without the written consent of the District and the City. The agreements and covenants included herein shall be binding on and inure to the benefit of any partners, permitted assigns, and successors-in-interest of the parties hereto.

Section 6.4. No Third Party Beneficiaries. No person or entity shall be deemed to be a third party beneficiary hereof, and nothing in this Acquisition Agreement (either express or implied) is intended to confer upon any person or entity, other than the District, the City and the Property Owner (and their respective successors and assigns), any rights or remedies by reason of this Acquisition Agreement.

Section 6.5. Notices. Any notice, payment or instrument required or permitted by this Acquisition Agreement to be given or delivered to any party shall be deemed to have been received (regardless of whether copies thereof have been delivered, transmitted or sent to, or received by, the entities designated to receive copies, as set forth below) when personally delivered, transmitted by email, telecopy or facsimile transmission (which shall immediately be confirmed by telephone and be followed by mailing an original of the same within 24 hours after such transmission) or 72 hours following deposit of the same in any United States Post Office, registered or certified, postage prepaid, addressed as follows:

District: Community Facilities District No. 2018-1
(Green Valley-West Elm) of the City of Perris
ATTN: City Manager
City of Perris
101 North "D" Street
Perris, CA 92570
Tel. (951) 943-6100
Fax (951) 657-1087

City: City of Perris
ATTN: City Manager
City of Perris
101 North "D" Street
Perris, CA 92570
Tel. (951) 943-6100
Fax (951) 657-1087

Property Owner: Green Valley Recovery Acquisition, LLC
5796 Armada Drive, Suite 375
Carlsbad, CA 92008
Tel. (858) 500-6782
Fax (858) 225-0235
ATTN: Matt Villalobos

The District, the City and the Property Owner may designate, by notice in writing, any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 6.6. Attorneys' Fees. If any action is instituted to interpret or enforce any of the provisions of this Acquisition Agreement, the party prevailing in such action shall be entitled to recover from the other party thereto reasonable attorney's fees and costs of such suit (including both prejudgment and post judgment fees and costs) as determined by the court as part of the judgment.

Section 6.7. Jurisdiction and Venue. Each of the District, the City and the Property Owner (a) agree that any suit, action or other legal proceeding arising out of or relating to this Acquisition Agreement shall be brought in a state or local court in the County of Riverside or in the Courts of the United States of America in the district in which said county is located, (b) consent to the jurisdiction of each such court in any such suit, action or proceeding, and (c) waive any objection that it may have to the laying of venue of any suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. Each of the District, the City and the Property Owner agree that a final and non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 6.8. Governing Law. This Acquisition Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

Section 6.9. Usage of Words. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine. The use of the word the Property Owner shall apply to each Property Owner.

Section 6.10. Counterparts. This Acquisition Agreement may be executed in counterparts, each of which shall be deemed an original.

Section 6.11. Excusable Delay. Whenever performance is required of a party hereunder, that party shall use all due diligence and take all necessary measures in good faith to perform, but if completion of performance is delayed by reasons of floods, earthquakes, or other acts of God, war, civil commotion, terrorist activity, riots, strikes, picketing, or other labor disputes, damage to work in progress by casualty, or by other cause beyond the reasonable control of the party, then the specified time for performance shall be extended by the amount of the delay actually so caused.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Acquisition Agreement as of the day and year first hereinabove written.

CITY OF PERRIS

By: _____
City Manager

ATTEST

City Clerk

**GREEN VALLEY RECOVERY
ACQUISITION, LLC**

By: _____

Name: _____

Title: _____

EXHIBIT "A"
LEGAL DESCRIPTION

EXHIBIT "B"
FINANCED IMPROVEMENTS
FACILITIES

Facility	Estimated Cost
Backbone Storm Drain Connections (Ethanac, Murrieta, Green Valley Parkway)	\$ 603,750
Green Valley Parkway Storm Drain	\$ 1,680,000
Ethanac Traffic Signals	\$ 892,500
Goetz Traffic Signal	\$ 367,500
Street Lighting in Ethanac, Goetz, West Elm, Green Valley Parkway, and Murrieta	\$ 1,732,500
Master Backbone Landscaping - Architectural Details	\$ 1,785,000
Master Backbone Landscaping	\$ 4,882,500
Dry Utilities in Green Valley Parkway, Murrieta, and West Elm	\$ 4,305,000
Undergrounding Ethanac and Murrieta Power Lines	\$ 2,500,000
Green Valley Parkway Bridge	\$ 4,987,500
Ethanac Road (Median, Road Contribution, Fencing, Sidewalk)	\$ 2,972,000
West Elm Street Improvements	\$ 1,732,500
Green Valley Parkway Street Improvements (West Elm to Murrieta)	\$ 3,937,500
Total	\$ 32,378,250

Note: The estimated costs for the Facilities are preliminary in nature. The Purchase Price to be paid for any Financed Improvements listed in this Exhibit shall equal its Actual Cost.

EXHIBIT "C"

[Acknowledgment and Certification of KB Home]

KB HOME Coastal Inc. does hereby acknowledge and certify to the validity of the statements made about KB Home within this Acquisition Agreement, including:

(A) None of the Financed Improvements have been or will be constructed on land owned by KB Home,

(B) KB Home will not be constructing any of the Financed Improvements,

(C) KB Home is not entitled to and has no claim to any CFD Proceeds, and

(D) KB Home has authorized the levy and use of any Special Taxes within Improvement Area No. 2 for the purposes contemplated within this Acquisition Agreement.

(E) KB Home has authorized that all of the Financed Improvements may be financed with CFD Proceeds from Improvement Area No. 2 regardless of the location of the Financed Improvements.

DATE: _____

By: _____

EXHIBIT "D"

FORM OF PAYMENT REQUEST

Community Facilities District No. 2018-1
(Green Valley-West Elm)
of the City of Perris

The undersigned, _____, the Property Owner's Representative, hereby requests payment of the Purchase Price of the Financed Improvement described in Attachment A attached hereto. Capitalized undefined terms shall have the meanings ascribed thereto in the Acquisition and Funding Agreement, dated July 31, 2018 (the "Acquisition Agreement"), by and between the City of Perris (the "City") and Green Valley Recovery Acquisition, LLC and KB HOME Coastal Inc. (the "Property Owner"). In connection with this Payment Request, the undersigned hereby represents and warrants to the District and the City as follows:

1. He (she) is the Property Owner's Representative, qualified to execute this request for payment on behalf of the Property Owner and knowledgeable as to the matters forth herein.
2. Each of the Financed Improvements described in Attachment A has been completed in accordance with the Plans therefor.
3. The true and correct Actual Cost of each Financed Improvement for which payment is requested is set forth in Attachment A.
4. Attached hereto are invoices, receipts, worksheets and other evidence of costs which are in sufficient detail to allow the City Engineer to verify the Actual Cost of each Financed Improvement for which payment is requested.
5. The Property Owner has submitted or submits herewith to the City Engineer as-built drawings or similar plans and specifications for the Financed Improvements for which payment is requested, and such drawings or plans and specifications, as applicable, are true, correct and complete.
6. There has not been filed with or served upon the Property Owner notice of any lien, right to lien or attachment upon, or claim affecting the right to receive the payment requested herein which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by operation of law. Copies of lien releases for all work for which payment is requested hereunder are attached hereto.
7. The Property Owner is in compliance with the terms and provisions of the Acquisition Agreement. All conditions precedent to the payment requested herein have been satisfied. Attached hereto is a copy of the Acquisition Agreement.

8. Attached hereto is (a) a copy of either the recorded documents or documents that conveyed or are suitable for recording and conveying to the City Acceptable Title to the real property on, in or over which such Financed Improvement is located, as described in Section 2.3 of the Acquisition Agreement, and (b) a copy of the recorded Notice of Completion of such Financed Improvement.

9. Property Owner has paid prevailing wages in connection with the Financed Improvement and all other public improvements constructed in connection with the Project. Property Owner has filed all items required by law in connection with the payment of prevailing wages.

10. The Purchase Price for the Financed Improvement described in Attachment A shall be payable out of the Improvement Funds.

11. This Request is being executed pursuant to the Acquisition Agreement and all conditions precedent to disbursement therein have been met.

I hereby certify that the above representations and warranties are true and correct.

Date: _____

Property Owner Representative

APPROVAL BY THE CITY ENGINEER

The Actual Cost of each Financed Improvement described in Attachment A has been reviewed, verified and approved by the City Engineer. Payment of the Purchase Price of each such Financed Improvement is hereby approved.

CITY ENGINEER OF THE CITY OF PERRIS

By: _____

Date: _____

ATTACHMENT A

Facility Description

Actual Cost

Total

ORDINANCE NO. (next in order)

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PERRIS, CALIFORNIA, ACTING IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS AUTHORIZING THE LEVY OF A SPECIAL TAX WITHIN IMPROVEMENT AREA NO. 1, AND IMPROVEMENT AREA NO. 2 OF SAID DISTRICT

WHEREAS, on June 12, 2018, the City Council (the "Council") of the City of Perris, California (the "City") adopted Resolution No. 5303 (the "Resolution of Intention") declaring its intention to form Community Facilities District No. 2018-1 (Green Valley-West Elm) of the City of Perris (the "District") and Improvement Area No. 1 and Improvement Area No. 2 therein (each in "Improvement Area" and, collectively, the "Improvement Areas") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government (the "Act") and adopted Resolution No. 5304 declaring its intention to incur bonded indebtedness of the District; and

WHEREAS, on July 31, 2018, and in accordance with the Act, the Council opened a public hearing after providing all notice required relating to the formation of the District, and setting forth the rate and method of apportionment and manner of collection of the special tax to be levied within each Improvement Area, which will be used to pay principal and interest on bonds proposed to be authorized within each Improvement Area, the proceeds of which will be applied to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto; (2) the payment of development and other fees and the acquisition or construction of public facilities (collectively, the "Facilities"), which Facilities have a useful life of five years or longer; and (3) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District, as further described in the Resolution of Intention; and

WHEREAS, at the public hearing, all persons not exempt from the special tax desiring to be heard on all matters pertaining to the formation of the District, including the boundaries of the District, the special tax, and the Facilities, were heard and a full and fair hearing was held, and such matters were not precluded by a majority protest; and

WHEREAS, on July 31, 2018, following the close of the public hearing, the Council adopted a resolution establishing the District (the "Resolution of Formation") and a resolution determining the necessity to incur bonded indebtedness of the District (the "Resolution to Incur Bonded Indebtedness") each of which called a consolidated special election on July 31, 2018 with the District on two propositions relating of the levying of special taxes, the incurring of bonded indebtedness and the establishment of an appropriation limit for the District; and

WHEREAS, on July 31, 2018, a special election was held within the District at which the qualified electors approved by more than a two-thirds vote the propositions labeled on

the official ballots as “Proposition A” and “Proposition B,” which generally authorized the levy of special taxes within the District for the purposes described in the Resolution of Intention and the issuance of bonded indebtedness for the District as described in the Resolution to Incur Bonded Indebtedness.

THE CITY COUNCIL OF THE CITY OF PERRIS, IN ITS CAPACITY AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (GREEN VALLEY-WEST ELM) OF THE CITY OF PERRIS, DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. The Council finds the above recitals are true and correct and incorporated herein by this reference.

Section 2. By the passage of this Ordinance, the Council authorizes the levy of a special tax within the District at the maximum rates in accordance with the rate and method of apportionment for each Improvement Area of the District, set forth as Exhibit “B” to the Resolution of Formation, and for reference purposes attached hereto as Exhibit “A” and incorporated herein by this reference (the “Rate and Method”).

Section 3. The Council or its designee is hereby further authorized to determine, by ordinance, resolution, or by other action if permitted by then applicable law, on or before August 1 of each year, the specific special tax to be levied for the next ensuing fiscal year on each parcel of land within each applicable Improvement Area of the District. The special tax to be levied within each Improvement Area shall not exceed the maximum rates set forth in the Rate and Method, but the special tax may be levied at a lower rate. The City Clerk is authorized and directed to file with the county auditor on or before the 10th day of August of each tax year a certified copy of such ordinance or resolution accompanied by a list of all parcels subject to the special tax levy with the tax to be levied on each parcel.

Section 4. Properties or entities of the state, federal or other local governments shall be exempt from the above-referenced and approved special taxes only to the extent set forth in Section 8 of each Rate and Method, and otherwise shall be subject to the tax consistent with the provisions of Sections 53317.3 and 53317.5 of the Act in effect as of the date of adoption of this Ordinance.

Section 5. All of the collections of the special taxes pursuant to the Rate and Method shall be used only as provided for in the Act and Resolution of Formation. The special taxes shall be levied within the District only so long as needed to accomplish the purposes described in Resolution of Formation.

Section 6. The special taxes shall be collected pursuant to the Rate and Method from time to time as necessary to meet the financial obligations of the District on the secured real property tax roll in the same manner as ordinary ad valorem taxes are collected, or other procedures as may be adopted by the Council. The City Manager, or his or her designee, is hereby authorized and directed to provide or to cause to be provided all necessary information to the auditor/tax collector of the County of Riverside and to otherwise take all actions necessary in order to effect proper billing and collection of the special taxes, so that the special taxes shall be

levied and collected in sufficient amounts and at times necessary to satisfy the financial obligations of the District in each fiscal year until the bonds issued on the security of such special taxes (the "Bonds") are paid in full, the Facilities have been paid for, and provision has been made for payment of all of the administrative costs of the District. The special taxes may be subject to the same penalties and the same procedure, sale and lien priority in cases of delinquency as provided for ad valorem taxes as such procedure may be modified by law or this City Council from time to time.

Notwithstanding the foregoing, the City Manager may collect, or cause to be collected, one or more installments of the special taxes by means of direct billing by the District of the property owners within the applicable improvement area of the District, if, in the judgment of the City Manager, such means of collection will reduce the administrative burden of the District in administering the District where it is otherwise appropriate in the circumstances. In such event, the special taxes shall become delinquent if not paid when due as set forth in any such respective billing to the property owners.

Whether the special taxes are levied in the manner provided in the first or the second preceding paragraph, the special taxes shall have the same lien priority, and be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for ad valorem taxes. In addition, the provisions of Section 53356.1 of the Act shall apply to delinquent special tax payments.

Section 7. As a cumulative remedy, if any amount levied as a special tax for payment of bond interest or principal of any Bonds of the District, together with any penalties and other charges accruing under this ordinance, are not paid when due, the Council may, not later than four (4) years after the due date of the last installment of principal of the Bonds, order that the same be collected by an action brought in the superior court to foreclose the lien of such special tax.

Section 8. This Ordinance relating to the levy of the special taxes with the District shall take effect immediately upon its final passage in accordance with the provisions of Section 36937(a) of the Government Code, and the specific authorization for adoption is pursuant to the provisions of Section 53340 of the Government Code.

Section 9. The City Clerk is hereby directed to execute and cause to be recorded in the office of the County Recorder of the County of Riverside a notice of special tax lien in the form required by the Act, said recording to occur no later than fifteen (15) days following final passage by the City Council of this Ordinance, and to perform all other acts which are required by the Act, this Ordinance or by law in order to accomplish the purpose of this Ordinance.

Section 10. The Mayor shall sign this Ordinance and the City Clerk shall attest to the Mayor's signature and then cause the same to be published within fifteen (15) days after its passage at least once in a newspaper of general circulation published and circulated in the City.

Section 11. The City Clerk shall certify as to the passage and adoption of this Ordinance and shall cause the same to be posted at the designated locations in the City of Perris.

ADOPTED, SIGNED and APPROVED this 31st day of July, 2018.

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 Ordinance Number _____ was duly adopted by the City Council of the City of Perris at a regular meeting of said Council on the 31st day of July, 2018, and that it was so adopted by the following vote:

AYES:
NOES:
ABSENT:

City Clerk, Nancy Salazar

Exhibit "A"

**RATE AND METHOD OF
APPORTIONMENT OF SPECIAL TAX**

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
(GREEN VALLEY)
IMPROVEMENT AREA 1**

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area 1 of Community Facilities District No. 2018-1 (Green Valley) of the City of Perris ("CFD No. 2018-1 IA1") and collected each Fiscal Year commencing in Fiscal Year 2018-19, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2018-1 IA1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, 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. 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 Expenses" means the following actual or reasonably estimated costs related to the administration of CFD No. 2018-1 IA1 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-1 IA1, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2018-1 IA1, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2018-1 IA1, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2018-1 IA1, or any designee thereof related to an appeal of the Special Tax; and 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. 2018-1 IA1 for any other administrative purposes of CFD No. 2018-1 IA1, 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.

“Assigned Special Tax” means the Special Tax of that name described in Section 3.A below.

“Backup Special Tax” means the Special Tax of that name described in Section 3.B below.

“Bonds” means any bonds or other Debt of CFD No. 2018-1 IA1, whether in one or more series, secured by the levy of Special Taxes.

“Building Permit” means a building permit for construction of a Residential Unit within CFD No. 2018-1 IA1 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 and/or by reference to appropriate records kept by the City.

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

“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 and/or calculating the Backup Special Tax.

“CFD No. 2018-1 IA1” means the Community Facilities District No. 2018-1 (Green Valley) Improvement Area No. 1 of the City of Perris.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2018-1 IA1 under the Act.

“County” means the County of Riverside, California.

“Debt” means any binding obligation to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts.

“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.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year. An Assessor's Parcel classified as Developed Property but for which the Building Permit that caused such Assessor's Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Annual Special Tax after

such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor's Parcel classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

"Exempt Property" means for each Fiscal Year, all Assessor's Parcels designated as being exempt from Special Taxes pursuant to Section 8 below.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 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 classes listed in Table 1 under Section 3 below.

"Lot" means a parcel created by a Final Map on which a Residential Unit can be constructed.

"Maximum Special Tax" means for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Sections 3.C and 3.D below, which may be levied in a given Fiscal Year on such Assessor's Parcel of Taxable Property.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for the purpose of constructing one or more non-residential units or facilities.

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

"Prepayment Amount" means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section 6.A below.

"Property Owner Association Property" means any Assessor's Parcel within the boundaries of CFD No. 2018-1 IA1 owned in fee by a property owner association, including any master or sub-association.

"Proportionately" or "Proportionate" means for Developed Property, that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax or Backup 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. **"Proportionately"** may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

"Provisional 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 8, 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 8.

“Public Property” means any property within the boundaries of CFD No. 2018-1 IA1, 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 Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more Residential Units.

“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. 2018-1 IA1 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2018-1 IA1.

“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; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2018-1 IA1, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 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 Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2018-19, each Assessor’s Parcel within CFD No. 2018-1 IA1 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

3. SPECIAL TAX RATES

A. Assigned Special Tax for Developed Property

The Assigned Special Tax applicable to an Assessor's Parcel classified as Developed Property commencing in Fiscal Year 2018-19 shall be determined pursuant to Table 1 below.

Table 1
Assigned Special Tax Rates

Land Use Class	Land Use Type	Building Square Footage	Assigned Special Tax
1	Residential Property	> 2,700	\$1,838 per Residential Unit
2	Residential Property	2,401 – 2,700	\$1,635 per Residential Unit
3	Residential Property	2,201 – 2,400	\$1,486 per Residential Unit
4	Residential Property	1,701 – 2,200	\$1,211 per Residential Unit
5	Residential Property	≤ 1,700	\$1,093 per Residential Unit

B. Backup Special Tax for Developed Property

The Backup Special Tax for Developed Property commencing in Fiscal Year 2018-19 shall be \$9,786 per Acre.

For the purpose of calculating the Backup Special Tax, the land area applicable to a Condominium shall be computed from the Acreage of the Lot on which the Condominium is located, with the Acreage for such Lot allocated equally among all of the Condominiums located or to be located on such Lot.

C. Maximum Special Tax for Developed Property

The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property and the Backup Special Tax for Developed Property.

D. Maximum Special Tax for Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property commencing in Fiscal Year 2018-19 shall be \$9,786 per Acre.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2018-19, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax;

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

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within CFD No. 2018-1 IA1 by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

5. 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 Annual Special Taxes.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

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. The following definitions apply to this Section 6:

"CFD Public Facilities Costs" means \$2,650,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2018-1 IA1, or (ii) shall

be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“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 or pay fees authorized to be funded by CFD No. 2018-1 IA1.

“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 designated fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of 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 Special Tax prepayments.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel 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 eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify 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 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 at least 60 days prior to any redemption date for the CFD No. 2018-1 IA1 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 (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels 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 Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined in Step 14 below) shall be calculated as follows:

Step 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 expected Maximum Special Tax revenue for CFD No. 2018-1 IA1 assuming all Building Permits have been issued (build-out) within CFD No. 2018-1 IA1, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously 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 for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
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 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 expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").
11. Calculate the administrative fees and expenses of CFD No. 2018-1 IA1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2018-1 IA1, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").

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

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated 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 amount to prepay 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. 2018-1 IA1.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2018-1 IA1 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2018-1 IA1 Bonds to be used with the next prepayment of CFD No. 2018-1 IA1 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation 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 the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax 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, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax 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 prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section 6.A

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation

A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial 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 an Assessor's Parcel within sixty (60) 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 6.A., and (ii) indicate in the records of CFD No. 2018-1 IA1 that there has been a partial prepayment of the Special Tax Obligation and that a 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.

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

7. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty (40) Fiscal Years commencing with Fiscal Year 2018-19, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2018-1 IA1 bonds have been paid.

8. 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 with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and (v) Assessor's Parcels of Developed Property classified as Non-Residential Property as determined reasonably by the CFD Administrator, provided that no such

classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA1 to less than 22.16 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA1 to less than 22.16 Acres shall be classified as Provisional Property and will continue to be subject to the CFD No. 2018-1 IA1 Special Taxes accordingly. Tax exempt status for the 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 8 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.

9. 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 thirty-six (36) 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, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,
- (ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or
- (iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The City Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the City Council or designee shall be final.

**RATE AND METHOD OF
APPORTIONMENT OF SPECIAL TAX**

**COMMUNITY FACILITIES DISTRICT NO. 2018-1
(GREEN VALLEY)
IMPROVEMENT AREA 2**

A Special Tax shall be levied on all Taxable Property within the boundaries of Improvement Area 2 of Community Facilities District No. 2018-1 (Green Valley) of the City of Perris (“CFD No. 2018-1 IA2”) and collected each Fiscal Year commencing in Fiscal Year 2018-19, in an amount determined by the CFD Administrator through the application of the procedures described below. All of the real property within CFD No. 2018-1 IA2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, 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. 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 Expenses” means the following actual or reasonably estimated costs related to the administration of CFD No. 2018-1 IA2 including, but not limited to: the costs of preparing and computing the Annual Special Tax (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-1 IA2, or any designee thereof complying with arbitrage rebate requirements, including without limitation rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2018-1 IA2, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2018-1 IA2, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2018-1 IA2, or any designee thereof related to an appeal of the Special Tax; and 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. 2018-1 IA2 for any other administrative purposes of CFD No. 2018-1 IA2, 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.

“Assigned Special Tax” means the Special Tax of that name described in Section 3.A below.

“Backup Special Tax” means the Special Tax of that name described in Section 3.B below.

“Bonds” means any bonds or other Debt of CFD No. 2018-1 IA2, whether in one or more series, secured by the levy of Special Taxes.

“Building Permit” means a building permit for construction of a Residential Unit within CFD No. 2018-1 IA2 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 and/or by reference to appropriate records kept by the City.

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

“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 and/or calculating the Backup Special Tax.

“CFD No. 2018-1 IA2” means the Community Facilities District No. 2018-1 (Green Valley) Improvement Area No. 2 of the City of Perris.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of CFD No. 2018-1 IA2 under the Act.

“County” means the County of Riverside, California.

“Debt” means any binding obligation to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts.

“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.

“Developed Property” means for each Fiscal Year, all Taxable Property, exclusive of Provisional Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year. An Assessor's Parcel classified as Developed Property but for which the Building Permit that caused such Assessor's Parcel to be classified as Developed Property has been cancelled and/or voided prior to the Fiscal Year for which Special Taxes are being levied shall be reclassified as Undeveloped Property, provided that the levy of the Annual Special Tax after

such reclassification shall not be less than 1.1 times the annual Debt Service less Administrative Expenses on all Outstanding Bonds. If Bonds have not been issued, an Assessor's Parcel classified as Developed Property for which such a Building Permit has been cancelled and/or voided shall be reclassified as Undeveloped Property.

"Exempt Property" means for each Fiscal Year, all Assessor's Parcels designated as being exempt from Special Taxes pursuant to Section 8 below.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4285 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 classes listed in Table 1 under Section 3 below.

"Lot" means a parcel created by a Final Map on which a Residential Unit can be constructed.

"Maximum Special Tax" means for each Assessor's Parcel, the maximum Special Tax, determined in accordance with Sections 3.C and 3.D below, which may be levied in a given Fiscal Year on such Assessor's Parcel of Taxable Property.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for the purpose of constructing one or more non-residential units or facilities.

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

"Prepayment Amount" means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section 6.A below.

"Property Owner Association Property" means any Assessor's Parcel within the boundaries of CFD No. 2018-1 IA2 owned in fee by a property owner association, including any master or sub-association.

"Proportionately" or "Proportionate" means for Developed Property, that the ratio of the actual Special Tax levy to the applicable Assigned Special Tax or Backup 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. **"Proportionately"** may similarly be applied to other categories of Taxable Property as listed in Section 4 below.

"Provisional 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 8, 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 8.

“Public Property” means any property within the boundaries of CFD No. 2018-1 IA2, 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 Property” means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing one or more Residential Units.

“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. 2018-1 IA2 pursuant to the Act and this Rate and Method of Apportionment of Special Tax.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2018-1 IA2.

“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; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the Annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2018-1 IA2, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 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 Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2018-19, each Assessor’s Parcel within CFD No. 2018-1 IA2 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall further be classified as Developed Property, Undeveloped Property or Provisional Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment of Special Tax determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property shall be classified according to its applicable Land Use Class based on its Building Square Footage.

3. SPECIAL TAX RATES

A. Assigned Special Tax for Developed Property

The Assigned Special Tax applicable to an Assessor's Parcel classified as Developed Property commencing in Fiscal Year 2018-19 shall be determined pursuant to Table 1 below.

Table 1
Assigned Special Tax Rates

Land Use Class	Land Use Type	Building Square Footage	Assigned Special Tax
1	Residential Property	> 2,400	\$1,756 per Residential Unit
2	Residential Property	2,201 – 2,400	\$1,551 per Residential Unit
3	Residential Property	2,001 – 2,200	\$1,409 per Residential Unit
4	Residential Property	≤ 2,000	\$1,180 per Residential Unit

B. Backup Special Tax for Developed Property

The Backup Special Tax for Developed Property commencing in Fiscal Year 2018-19 shall be \$9,985 per Acre.

For the purpose of calculating the Backup Special Tax, the land area applicable to a Condominium shall be computed from the Acreage of the Lot on which the Condominium is located, with the Acreage for such Lot allocated equally among all of the Condominiums located or to be located on such Lot.

C. Maximum Special Tax for Developed Property

The Maximum Special Tax for Developed Property shall be the greater of the Assigned Special Tax for Developed Property and the Backup Special Tax for Developed Property.

D. Maximum Special Tax for Provisional Property and Undeveloped Property

The Maximum Special Tax for Provisional Property and Undeveloped Property commencing in Fiscal Year 2018-19 shall be \$9,985 per Acre.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2018-19, the CFD Administrator shall levy the Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 100% of the applicable Assigned Special Tax;

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

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax amount determined in Step 1 shall be increased Proportionately on each Assessor's Parcel of Developed Property up to 100% of the Maximum Special Tax for Developed Property.

Notwithstanding the above, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased as a result of a delinquency or default in the payment of the Special Tax applicable to any other Assessor's Parcel within CFD No. 2018-1 IA2 by more than ten percent (10%) above what would have been levied in the absence of such delinquencies or defaults.

5. 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 Annual Special Taxes.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

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. The following definitions apply to this Section 6:

"CFD Public Facilities Costs" means \$2,950,000 or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the Act and financing program for CFD No. 2018-1 IA2, or (ii) shall

be determined by the Council concurrently with a covenant that it will not issue any more Bonds (except refunding bonds).

“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 or pay fees authorized to be funded by CFD No. 2018-1 IA2.

“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 designated fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of 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 Special Tax prepayments.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

The Special Tax Obligation applicable to an Assessor’s Parcel of Developed Property, or Undeveloped Property for which a Building Permit has been issued may be prepaid and the obligation to pay the Special Tax for such Assessor’s Parcel 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 eligible to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay, and designate or identify 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 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 at least 60 days prior to any redemption date for the CFD No. 2018-1 IA2 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 (defined below) shall be calculated for each applicable Assessor’s Parcel or group of Assessor’s Parcels 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 Capitalized Interest Credit
Total: equals Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined in Step 14 below) shall be calculated as follows:

Step 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 expected Maximum Special Tax revenue for CFD No. 2018-1 IA2 assuming all Building Permits have been issued (build-out) within CFD No. 2018-1 IA2, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously 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 for all applicable parcels and round that amount up to the nearest \$5,000 increment (the "Bond Redemption Amount").
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 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 expected redemption date for the Outstanding Bonds which, depending on the Indenture, may be as early as the next interest payment date.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Prepayment Amount and the Prepayment Administrative Fees from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Subtract the amount computed in paragraph 9 from the amount computed in paragraph 8 (the "Defeasance Amount").
11. Calculate the administrative fees and expenses of CFD No. 2018-1 IA2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2018-1 IA2, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees").

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

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated 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 amount to prepay 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. 2018-1 IA2.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2018-1 IA2 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2018-1 IA2 Bonds to be used with the next prepayment of CFD No. 2018-1 IA2 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel for which the Special Tax Obligation 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 the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of the owner of such Assessor's Parcel to pay the Special Tax 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, respectively, after the proposed prepayment is at least 1.1 times the Debt Service on all Outstanding Bonds in each Fiscal Year.

B. Partial Prepayment

The Special Tax 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 prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

PE = the Prepayment Amount calculated according to Section 6.A

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax Obligation

A = the Prepayment Administrative Fees and Expenses from Section 6.A

The owner of any Assessor's Parcel who desires such partial 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 an Assessor's Parcel within sixty (60) 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 6.A., and (ii) indicate in the records of CFD No. 2018-1 IA2 that there has been a partial prepayment of the Special Tax Obligation and that a 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.

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

7. TERM OF SPECIAL TAX

The Special Tax shall be levied as long as necessary to meet the Special Tax Requirement for a period not to exceed forty (40) Fiscal Years commencing with Fiscal Year 2018-19, provided however that the Special Tax will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on CFD No. 2018-1 IA2 bonds have been paid.

8. 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 with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, and (v) Assessor's Parcels of Developed Property classified as Non-Residential Property as determined reasonably by the CFD Administrator, provided that no such

classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA2 to less than 24.53 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2018-1 IA2 to less than 24.53 Acres shall be classified as Provisional Property and will continue to be subject to the CFD No. 2018-1 IA2 Special Taxes accordingly. Tax exempt status for the 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 8 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.

9. 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 thirty-six (36) 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, then the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

(i) Amend the Special Tax levy on the landowner's Assessor's Parcel(s) for the current Fiscal Year prior to the payment date,

(ii) Require the CFD to reimburse the landowner for the amount of the overpayment to the extent of available CFD funds, or

(iii) Grant a credit against, eliminate or reduce the future Special Taxes on the landowner's Assessor's Parcel(s) in the amount of the overpayment.

If following such consultation and action by the CFD Administrator the landowner believes such error still exists, such person may file a written notice of appeal with the City Council. Upon the receipt of such notice, the City Council or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. If the City Council or designee determines an error still exists, the CFD Administrator shall take any of the actions described as (i), (ii) and (iii) above, in order of priority, in order to correct the error.

The City Council or designee thereof shall interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguities and make determinations relative to the administration of the Special Tax and any landowner appeals. The decision of the City Council or designee shall be final.