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INDENTURE OF TRUST

by and between the

PERRIS JOINT POWERS AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

Dated as of April 1, 2015

Relating to

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds  
(CFD No. 2006-2), 2015 Series B

## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”) is dated as of April 1, 2015, by and between the PERRIS JOINT POWERS AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America having a corporate trust office in Los Angeles, California, and being qualified to accept and administer the trusts hereby created (the “Trustee”);

### WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated as of March 26, 2013, by and between the City of Perris (the “City”) and the Housing Authority of the City of Perris (the “Agency”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, the City, the Agency and any associate member to provide financing for public capital improvements of the City, the Agency and any associate member; and

WHEREAS, the City Council (the “City Council”) of the City of Perris (the “City”), located in Riverside County, California (hereinafter sometimes referred to as the “legislative body of the District”) has, pursuant to its Resolution No. 3855 (“the Resolution of Intention”) adopted on January 9, 2007, and Resolution 3919 (the “Resolution of Formation”) adopted on February 27, 2007, heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the “District”) to issue bonds pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”); and

WHEREAS, on February 27, 2007, the qualified electors within the District approved the levy of special taxes pursuant to the respective Rate and Method of Apportionment, pursuant to the Resolution of Formation, Resolution No. 3921, adopted on February 27, 2007, and Ordinance 1211, adopted on March 13, 2007; and

WHEREAS, on February 27, 2007, pursuant to Resolution of Formation, Resolution Nos. 3920 and 3921, the qualified electors within the District authorized the District to issue bonds in an amount not to exceed \$16,000,000 within the District; and

WHEREAS, the City, on behalf of the District and the Authority, has determined it is prudent in the management of its fiscal affairs and a public purpose to finance the acquisition and construction of public facilities located within the District; and

WHEREAS, the Authority, pursuant to Resolution Number PJPA-\_\_\_\_ adopted on March 31, 2015, approved the issuance of not-to-exceed \$\_\_\_\_\_ Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B (the “Bonds”) for the purpose of purchasing the District Bonds, funding a reserve fund and paying certain costs of

issuance; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has found and determined, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and repaid, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

**ARTICLE I**  
**DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY**

**Section 1.01 Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture or of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

“Act” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Bonds” means bonds issued by the District, pursuant to the Fiscal Agent Agreement or a Supplemental Agreement (as defined by the Fiscal Agent Agreement), which are secured by special taxes levied within the District on a parity with the District Bonds, if any.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year.

“Authority” means the Perris Joint Powers Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated as of March 26, 2013, by and between the City and the Agency, together with any amendments thereof and

supplements thereto and under the laws of the State.

“Authority Representative” means the Chairperson, Vice Chairperson, Executive Director, Assistant Executive Director or Treasurer of the Authority, or any other authorized representative of the Authority as evidenced by a certificate of the Chairperson or Executive Director.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means Aleshire & Wynder, LLP, or any attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized expertise in the field of municipal finance whose opinions are generally accepted by purchasers of municipal bonds or notes.

"Bond Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.02(b) hereof.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Purchase Fund" means the fund established pursuant to Section 3.03 hereof.

“Bond Year” means each twelve-month period beginning on September 2 of each year and ending September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2016, provided, however, that for the purposes of calculating the rebate requirements under the Code, the Bond Year may, at the election of the Authority commence on the Closing Date and end one year later, or as otherwise set forth in the Tax and Nonarbitrage Certificate .

“Bonds” means the \$\_\_\_\_\_ initial principal amount Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B, authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in Los Angeles, California, and San Francisco, California and the principal corporate trust office of the Trustee, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Cash Flow Management Fund” means the fund by that name established by Section 4.03(a) hereof.

“Cash Flow Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Certificate” or “Written Certificate” or “Written Request” of the Authority means, a written certificate or written request signed in the name of the Authority by an Authority Representative. Any such certificate or request may, but need not, be combined in a single

instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“City” means the City of Perris, a political subdivision organized and existing under the laws of the State.

“Closing Date” means the date of delivery of the Bonds to the original purchasers thereof.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in Section 9.13 or such other office designated by the Trustee from time to time in writing to the Authority.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, the purchase of the District Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund established and held by the Trustee pursuant to Section 3.04 hereof.

“District” means Community Facilities District 2006-2 (Monument Park Estates) of the City of Perris.

“District Bonds” means the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015 Series.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means U.S. Bank National Association, as escrow bank under the Escrow Agreement.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement, dated as of April 1, 2015, by and among the Authority, the District, and the Escrow Agent.

“Event of Default” means any of the events described in Section 8.01 hereof.

“Excess Investment Earnings” means the amount of excess investment earnings determined to be subject to rebate to the United States of America with respect to the investment

of the gross proceeds of the Bonds, determined pursuant to Section 148(f) of the Code.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Trustee, as shall be certified by the Authority to the Trustee:

(1) direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons;

(2) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America; or refunded municipal obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

"Fiscal Agent" means U.S. Bank National Association, as fiscal agent under the Fiscal Agent Agreement.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement, dated as of April 1, 2015, by and between the District and the Fiscal Agent relating to the District Bonds, as said agreement may be amended from time to time in accordance with its terms.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month

period selected and designated by the Authority as its official fiscal year period and certified to the Trustee in writing by an Authority Representative.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Information Services” means Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://www.emma.msrb.org); provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other services providing information with respect to the redemption of Bonds as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

“Interest Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(i) hereof.

“Interest Payment Date” means March 1 and September 1 in each year, beginning September 1, 2015, and continuing thereafter so long as any Bonds remain Outstanding.

“Letter of Representations” means the letter of the Authority and the Trustee delivered to and accepted by DTC (or such other applicable Securities Depository) on or prior to the issuance of the Bonds in book entry form setting forth the basis on which DTC (or such other applicable Securities Depository) serves as depository for the Bonds issued in book entry form, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Securities Depository.

“Maximum Annual Debt Service” means, as of the date of calculation, the maximum amount obtained by totaling, for the current or any future Bond Year, the sum of: (a) the principal amount of all such Outstanding Bonds maturing in such Bond Year and sinking payments for mandatory redemption due in such Bond Year; and (b) the interest which would be due during such Bond Year on the aggregate principal amount of such Bonds which would be Outstanding in such period if such Bonds are retired as scheduled, but deducting and excluding from such aggregate principal amount the aggregate principal amount of such Bonds no longer Outstanding.

“Moody’s” means Moody’s Investors Service, and its successors and assigns.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore executed, issued and delivered by the Authority under this Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner” or “Bond Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein and the investment policy of the City or District (the Trustee is entitled to rely on written investment direction of the Authority as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

(a) any direct general obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the payment of principal of and interest on which are unconditionally fully guaranteed by the United States of America; and any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;



(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”, “AAAm”, or “AAm”, or, if rated by Moody’s, rated “Aaa-mf”, “Aa-mf” or “A-mf”;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody’s or S&P;

(h) commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated “A” or better by Moody’s and S&P, or (B) a bank rated “A” or better by Moody’s and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be

up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Principal Account” means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(ii) hereof.

“Rebate Account” means the account established and held by the Trustee pursuant to Section 4.02(d) hereof.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

“Redemption Fund” means the fund by such name established and held by the Trustee pursuant to Section 4.04 hereof.

“Redemption Revenues” means (a) amounts received from the redemption of the District Bonds from amounts constituting prepayments of special taxes, (b) amounts received from the optional redemption of the District Bonds, and (c) amounts received from the special mandatory redemption of the District Bonds.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the Bonds.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to Section 4.02(c)(iii) hereof.

"Reserve Requirement" means, as of any calculation date, an amount equal to the least of (i) ten percent (10%) of the proceeds (within the meaning of section 148 of the Code) of the Bonds as of the date of issuance; (ii) 125% of average Annual Debt Service as of the date of issuance; or (iii) Maximum Annual Debt Service; provided however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount on the Closing Date.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.02(a) hereof.

"Revenues" means: (a) all amounts received by the Authority from the District as principal of or interest on the District Bonds; (b) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund; and (c) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder for the Bonds, other than the Rebate Account, the Redemption Fund and the Cash-Flow Management Fund.

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, and its successors and assigns.

"Securities Depositories" means DTC, 55 Water Street, New York 10041, Attention: Call Notification Department, Fax-(212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01 hereof.

"Tax and Nonarbitrage Certificate" means the Tax and Non Arbitrage Certificate, dated the Closing Date and executed by the Authority.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Code.

"Trustee" means U.S. Bank National Association, and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI hereof.

**Section 1.02 Rules of Construction.** All references in this Indenture to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of

this Indenture, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

**Section 1.03 Authorization and Purpose of Bonds.** The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to pay for the District Bonds.

**Section 1.04 Equal Security.** In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

**ARTICLE II  
ISSUANCE OF THE BONDS**

**Section 2.01 Terms of the Bonds.** The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the “Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2 ), 2015 Series B” which shall be issued in the original aggregate principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_).

The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, and shall be evidenced by one Bond for each of the maturities in the principal amounts set forth below, and DTC, is hereby appointed depository for the Bonds, and registered ownership may not thereafter be transferred except as set forth in Section 2.05 hereof. The Bonds shall be dated as of the Closing Date, shall mature in the following amounts and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the following rates:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2015		
2016		

2017  
2018  
2019  
2020  
2021  
2022  
2023  
2024  
2025  
2026  
2027  
2028  
2029  
2030  
\*2035  
\*2045

**\*Term bond maturity**

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding Bonds filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Corporate Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before the Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2015, in which event it shall bear interest from the Closing Date; or (c) interest with respect to any outstanding Bond is in default, in which event such Bond shall bear interest from the Interest Payment Date to which interest has been previously paid in full or made available for payment thereon on each Interest Payment Date.

**Section 2.02 Redemption of Bonds.**

(a) Optional Redemption. The Bonds maturing prior to September 1, 2025, are not subject to Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 2025, as a whole

or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

(b) Mandatory Sinking Fund Redemption. The Bonds maturing September 1, 2035 and September 1, 2045, are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 2031, with respect to the Bonds maturing on September 1, 2035, and September 1, 2036, with respect to the Bonds maturing September 1, 2045, from mandatory sinking payments made by the Authority as provided in this Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the redemption provisions described in subsections (a) above or (c) below, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

**BONDS MATURING SEPTEMBER 1, 2035**

<b>September 1 (Year)</b>	<b>Principal Amount</b>
2031	
2032	
2033	
2034	
<u>2035*</u>	

**\*Maturity**

**BONDS MATURING SEPTEMBER 1, 2045**

<b>September 1 (Year)</b>	<b>Principal Amount</b>
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
<u>2045*</u>	

**\*Maturity**

(c) Special Mandatory Redemption. The Bonds shall also be subject to mandatory redemption prior to maturity on any date on or after September 1, 2015, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of special taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under this Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date.

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2015 through August 31, 2025	102.0%
September 1, 2025 and thereafter	100.0%

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, and the redemption price and shall designate the CUSIP® numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

The Authority shall have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of such redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The Authority and the Trustee shall have no liability to the Owners or any other party related or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

In addition to the foregoing notice, further notice shall be given by the Trustee in said form by first class mail to any Bond Owner whose Bond has been called for redemption but who

has failed to tender his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP® number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section 2.02 shall be canceled and destroyed.

(g) Authority Notice. Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or special mandatory redemption or mandatory redemption (other than sinking fund redemption) in part, the Authority shall deliver a Written Certificate to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee in the sole determination of the Trustee, so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues will be sufficient on a timely basis to pay debt service on the Bonds. The Authority shall certify in such Written Certificate that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund, and is required to deliver such moneys to the Trustee together with other Redemption Revenues, if any, then to be delivered to the Trustee, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

(h) Open Market Purchase of Bonds. In lieu of redemption of any Bond, the Trustee may, at any time and upon Written Request of the Authority, use and withdraw amounts on deposit in the Revenue Fund for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine in accordance with all applicable laws and in accordance with the priority afforded the relative Bond under this Indenture.

**Section 2.03 Form of the Bonds.** The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the form



set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

**Section 2.04 Execution of Bonds.** The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of its Chairperson or Executive Director and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

**Section 2.05 Transfer of Bonds.** Subject to Section 2.10, any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered or transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like maturity and aggregate principal amount of authorized denominations. The Trustee may require payment by the Bond Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee shall not be required to transfer, pursuant to this Section, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption pursuant to Section 2.02. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Authority.

**Section 2.06 Exchange of Bonds.** The Bonds of any series may be exchanged at the Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of the same series of other authorized denominations and of the same maturity. The Trustee shall not be required to exchange, pursuant to this Section, either (a) all Bonds during the period established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected for redemption pursuant to Section 2.02. The cost of printing Bonds and any service rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the Authority.

**Section 2.07 Registration Books.** The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient records for the registration and transfer of the Bonds which

shall at all reasonable times during regular business hours be open to inspection by the Authority with reasonable prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records Bonds as hereinbefore provided.

**Section 2.08 Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any Bond hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the Authority and, if such evidence be satisfactory to the Trustee and the Authority and indemnity for the Trustee and the Authority satisfactory to the Trustee shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment of a fee for preparing and authenticating each new Bond issued under this Section and of expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section 2.08, in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

**Section 2.09 CUSIP® Numbers.** The Trustee and the Authority shall not be liable for any defect or inaccuracy in the CUSIP® number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP® numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, nor the Authority shall be liable for any inaccuracies in such numbers.

**Section 2.10 Use of Securities Depository.**

(a) The Bonds shall be initially registered as provided in Section 2.01. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) to any successor of Cede & Co., as nominee of DTC, as its nominee, or to any substitute depository designated pursuant to clause (ii) of this Section (a “substitute depository”); provided, that any successor of Cede & Co., as nominee of DTC or a substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) to any substitute depository upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (1) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Trustee, together with a Request of the Authority to the Trustee, a new Bond for each maturity shall be authenticated and delivered in the aggregate principal amount of the Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the Authority.

(c) In the case of any transfer pursuant to clause (iii) of subsection (a) hereof upon receipt of the Outstanding Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, new Bonds shall be authenticated and delivered in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested in such a Written Request of the Authority, subject to the limitations of Section 2.01 hereof, provided, the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a Written Request of the Authority. After any transfer pursuant to this subsection, the Bonds shall be transferred pursuant to Section 2.05.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except for the Owner of any Bonds.

(e) So long as the Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole registered Owner, or its registered assigns in effecting payment of the principal of and interest on the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) Notwithstanding anything to the contrary contained herein, so long as the Bonds are registered as provided in this Section 2.10, payment of principal of and interest

on the Bonds shall be made in accordance with the Letter of Representations delivered to DTC with respect to the Bonds.

(g) For as long as a book-entry only system is in effect with respect to the Bonds and DTC or a successor Securities Depository is the sole registered owner of the Bonds, in the event of redemption of less than all of the maturity of the Bonds, the particular ownership interests of such maturity to be redeemed will be determined by DTC and its participants, or by a successor Securities Depository or any other intermediary, in accordance with their respective operating rules and procedures, which may be different than pro rata.

**Section 2.11 Temporary Bonds.** The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will register and authenticate definitive Bonds, and in that case, upon demand of the Owner of any temporary Bonds, such definitive Bonds shall be exchanged by the Trustee at its Corporate Trust Office, without cost to such Owner for temporary Bonds upon surrender of such temporary Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefit, protection and security hereunder as the definitive Bonds executed and delivered hereunder. All temporary Bonds surrendered pursuant to the provisions of this Section shall be canceled by the Trustee and shall not be redelivered.

### **ARTICLE III DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS**

**Section 3.01 Issuance of Bonds.** Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), to the Trustee for authentication and delivery to the original purchaser thereof upon the Written Request of the Authority.

**Section 3.02 Application of Proceeds of Sale of Bonds and Other Amounts.** Upon the receipt of payment for the Bonds and other amounts on the Closing Date, the Trustee shall apply the total amount of \$ \_\_\_\_\_, comprising (i) proceeds of sale thereof in the amount of \$ \_\_\_\_\_ (being the principal amount of \$ \_\_\_\_\_ less an original issue discount of \$ \_\_\_\_\_ less the Underwriter's discount of \$ \_\_\_\_\_), and (ii) the total amount of \$ \_\_\_\_\_, comprising moneys and securities transferred to the Trustee from the Escrow Agent pursuant to the Escrow Agreement, as follows:

(a) The Trustee shall deposit in the Reserve Account of the Revenue Fund the total amount of \$ \_\_\_\_\_, which amount shall include the security of \$ \_\_\_\_\_ plus a remainder of bond proceeds equal the Reserve Requirement on the Closing Date.

(b) The Trustee shall deposit the amount of \$ \_\_\_\_\_ in the Bond Purchase Fund.

(c) The Trustee shall deposit the amount of \$\_\_\_\_\_ into the Costs of Issuance Fund, which amount shall be comprised of other available funds.

(d) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Cash Flow Management Fund from other available funds. Moneys in the Cash Flow Management Fund are funded by other available funds and not from Bond proceeds.

**Section 3.03 Bond Purchase Fund.** The Trustee shall establish and maintain a separate fund to be known as the “Bond Purchase Fund” into which shall be deposited a portion of the proceeds of the sale of the Bonds in the amount set forth in Section 3.02(b). The Trustee shall disburse all amounts in the Bond Purchase Fund on the Closing Date to purchase the District Bonds. The Trustee shall transfer the funds in the Bond Purchase Fund upon receipt thereof to the Fiscal Agent for deposit pursuant to the Fiscal Agent Agreement. Following the disbursement of all amounts to purchase the District Bonds, the Trustee shall close the Bond Purchase Fund.

**Section 3.04 Costs of Issuance Fund.** There is hereby established a fund to be held by the Trustee known as the “Costs of Issuance Fund” into which shall be deposited a portion of the Bond proceeds as set forth in Section 3.02(c). The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of a Written Request of the Authority. On the date which is one hundred eighty (180) days following the Closing Date or upon the earlier receipt by the Trustee of a Written Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to the Revenue Fund, and the Trustee shall close the Costs of Issuance Fund. The Authority may at any time file a Written Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Revenue Fund all remaining amounts, and the Trustee shall comply with such request.

**Section 3.05 Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be affected in any way of any proceedings taken by the District with respect to the application of the proceeds of the sale of the District Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

#### **ARTICLE IV REVENUES; FLOW OF FUNDS**

**Section 4.01 Pledge of Revenues; Assignment of Rights.** The Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues and Redemption Revenues and a pledge of all of the moneys in the Bond Fund, the Revenue Fund, the Redemption Fund and in the Cash Flow Management Fund, including all amounts derived from the investment of such moneys. The Bonds shall be equally secured by a pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and first lien upon the Revenues and Redemption Revenues and such moneys. So long as any of the

Bonds are Outstanding, the Revenues and Redemption Revenues and such other moneys shall not be used for any other purpose except as described hereunder for payment of the Bonds; except that out of the Revenues and Redemption Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02 and Section 4.05, respectively.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and Redemption Revenues and all of the right, title and interest of the Authority (but not the obligations) in the District Bonds (other than the rights of the Authority under Sections 9.01 and 9.08 hereof and any rights of the Authority in the Rebate Account or to notices or consent herein). The Trustee shall be entitled to and shall receive all of the Revenues and the Redemption Revenues, and any Revenues and Redemption Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The assignment to the Trustee is solely in its capacity as Trustee under this Indenture and in accepting such assignment and taking any actions with respect to the District Bonds, the Trustee shall be entitled to all the indemnities, protections, immunities and limitations from liability afforded it as Trustee under this Indenture. The Trustee also shall be entitled to and, subject to the provisions hereof, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the District Bonds.

#### **Section 4.02 Receipt, Deposit and Applications of Revenues.**

(a) Deposit of Revenues; Revenue Fund. All Revenues (excluding Redemption Revenues) shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust hereunder.

(b) Deposit of Revenues; Bond Fund: The Trustee shall establish, maintain and hold in trust a fund, entitled Bond Fund. Within such fund, the Trustee shall establish, maintain and hold in trust separate special accounts entitled "Interest Account" and "Principal Account" and "Reserve Account" as shown in Subsection (c) below. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit into the Bond Fund the following amounts, in the priority set forth in Subsection (c) below.

(c) Application of Revenues; Bond Fund. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the Bond Fund and the following respective special accounts therein, the following amounts in the following order of priority, the requirements of each such special account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority;

(i) *Interest Account.* On or before each applicable Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and

payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

(ii) *Principal Account.* On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds pursuant to Section 2.01. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

(iii) *Reserve Account.* All amounts on deposit in the Revenue Fund on each Interest Payment Date not required to pay any interest on or principal of any Outstanding Bonds then having come due and payable, shall be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

The Authority shall deposit from the repayment of the District Bonds, and, to the extent necessary and if permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts, and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement or other amounts in the Reserve Account in excess of the Reserve Requirement shall be deposited into the Revenue Fund, if and to the extent such earnings or other amounts are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of the Bonds, amounts on deposit in the Reserve Account shall be reduced (to an amount not less than the Reserve Requirement) and the excess moneys shall be transferred to the Redemption Fund and used for redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

(iv) *Surplus.* All remaining amounts on September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year commencing September 2, 2015 on deposit in the Revenue Fund shall be transferred to the Cash Flow Management Fund.

(d) Rebate Account. The Trustee shall deposit in the Rebate Account (which account is established as a separate account to be held by the Trustee) from time to time, as set forth in this Indenture, an amount determined by the Authority to be subject to rebate to the United States of America in accordance with Section 5.07(h). Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in written requests of the Authority filed with the Trustee pursuant to Section 5.07(h). The Trustee shall not be responsible for calculating rebate amounts or for the

adequacy or correctness of any rebate report or rebate calculations. The Trustee shall be deemed conclusively to have complied with the provisions of the Indenture and any other agreement relating to the Bonds regarding calculation and payment of rebate if it follows the directions of the Authority and it shall have no independent duty to review such calculations or enforce the compliance with such rebate requirements by the Authority.

#### **Section 4.03 Cash Flow Management Fund.**

(a) Establishment of Cash Flow Management Fund. There is hereby established as a separate fund to be held by the Trustee, the “Cash Flow Management Fund,” to the credit of which a deposit shall be made as required by Section 3.02 and Section 4.02 hereof. The Cash Flow Management Fund may also be funded at the election of the Authority from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are loaned to replenish the Cash Flow Management Fund to the Cash Flow Management Fund Requirement. Amounts, if any, deposited into the Cash Flow Management Fund shall be applied for the following purposes in the following order of priority:

(i) The Trustee shall, prior to any draw on the Reserve Account, pay debt service on the Bonds to the extent Revenues are insufficient for such purpose.

(ii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority to the extent any surplus revenues from such other series of local agency revenue bonds were loaned to replenish the Cash Flow Management Fund.

(iii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority in an amount estimated by the Authority to be necessary to prevent a shortfall in the amount required to pay debt service on such other series of local agency revenue bonds or to the fiscal agent of any local agency bonds issued by the City, on behalf of a community facilities district, an amount estimated by the Authority necessary to prevent a shortfall in the amount required to pay debt service on such local agency bonds. All such transfers shall be treated as loaned amounts.

(iv) Upon the written direction of the Authority, the Trustee shall transfer such amounts as may be directed by the Authority for deposit in the Redemption Fund.

(v) The Trustee shall transfer all remaining amounts in the Cash Flow Management Fund in excess of the Cash Flow Management Fund Requirement to the Fiscal Agent for the District Bonds for deposit in the Delinquency Management Fund held under the Fiscal Agent Agreement, in such amounts as directed in writing by the Authority.

**Section 4.04 Redemption Fund.** There is hereby established as a separate fund to be held by the Trustee, the “Redemption Fund,” to the credit of which the Authority shall deposit, immediately upon receipt, all Redemption Revenues, except sinking fund payments which shall



be deposited in the Principal Account of the Bond Fund. Moneys in the Redemption Fund shall be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds, and shall be used and withdrawn by the Trustee to redeem Bonds pursuant to Sections 2.02(a) and 2.02(c) hereof on the applicable date thereof.

**Section 4.05 Investments.** All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the Written Request of the Authority given to the Trustee at least two (2) Business Days in advance of the making of such investments which by their terms mature prior to the date on which moneys are required to be paid out hereunder. Each such written direction shall contain or be deemed to contain the representation of the Authority that the investments identified therein constitute Permitted Investments hereunder upon which the Trustee may conclusively rely. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in clause (d) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any funds or accounts shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Written Request of the Authority. The Trustee or its affiliate may (but shall not be obligated to) act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fees therefor. The Trustee is required to sell or present for redemption, any Permitted Investment it purchases whenever it shall be necessary to provide monies to meet any required payment, transfer, withdrawal or disbursement from the fund or account in which such permitted investment is held. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish to the Authority periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section. The Trustee may act as purchaser or agent in the making or disposing of any investment. Such investments, if registered, shall be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee.

The Trustee or any of its affiliates may act as sponsor, advisor or manager or provide administrative services in connection with any Permitted Investments.

Investment of funds is also subject to the provisions of the Tax and Nonarbitrage Certificate.

**Section 4.06 Valuation and Disposition of Investments.** Except as otherwise provided in the next sentence, the Authority covenants that all investments of amounts deposited in any fund, or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code).

## **ARTICLE V COVENANTS OF THE AUTHORITY**

**Section 5.01 Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

**Section 5.02 Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

**Section 5.03 Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including the purchase of Additional Bonds and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

**Section 5.04 Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the District Bonds and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms and priority of payment, and the Authority and the Trustee, subject to the provisions of this Indenture, shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

**Section 5.05 Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of Bonds, the Revenues and all funds and accounts established by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority, during regular business hours with reasonable prior notice.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under the Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any owner of at least 50% aggregate principal amount of Bonds Outstanding, upon the owner's written request at a cost not to exceed the Trustee's actual costs of duplication and mailing. Said reports may be in the form of the Trustee's regular statements.

**Section 5.06 No Additional Parity Debt.** Except for the Bonds, or bonds issued for the purpose of refunding the Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part. Subject to the foregoing limitation, the Authority expressly reserves the right to enter into one or more indentures for any of its corporate purposes, including but not limited to the purchase of Additional Bonds under the Fiscal Agent Agreement, and other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

**Section 5.07 Tax Covenants Relating to Bonds.**

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

*"Bonds"* means, unless otherwise qualified, the Bonds.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Computation Date"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Gross Proceeds"* means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, or of the Bonds.

*"Investment"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*"Nonpurpose Investment"* means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

*"Rebate Amount"* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“*Yield*” of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Bond to fail to be excluded pursuant to Section 103(a) of the Code from the gross income, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion of the interest on any Bond from the gross income of the owner thereof for federal income tax purposes, the Authority shall comply with each of the specific covenants in this Section.

(c) Private Use and Private Payments. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the Authority shall take all actions necessary to assure that the District or City or other public agency at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds for any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not use or permit the use of Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or

entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally-Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The Authority shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of Bonds with its other monies, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Authority shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Bonds from the gross income of the Owners thereof for federal income tax purposes, the Authority shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other

Computation Date, ninety percent (90%) of the Rebate Amount on such date. Upon the Written Request of the Authority, the Trustee shall pay over to the Authority amounts in the Rebate Account for such purpose. In all cases, such rebate payments shall be made by the Authority at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority. Notwithstanding the foregoing, and provided the Authority takes all steps available to it to cause the provision of such amounts, the monetary obligation of the Authority under this paragraph (iii) shall be limited to amounts provided to it for such purpose by the District.

(iv) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Bonds not been relevant to either party.

(i) Bonds Not Hedge Bonds.

The Authority represents that none of the Bonds is or will become a "hedge bond" within the meaning of section 149(g) of the Code.

(j) Elections. The Authority hereby directs and authorizes any Authority Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds, in the Tax and Non Arbitrage Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, Tax Exemption or similar or other appropriate certificate, form or document.

(k) Closing Certificate. The Authority agrees to execute and deliver in connection with the issuance of the Bonds a Tax and Non Arbitrage Certificate, as to Arbitrage and the Provisions of Section 103 and 141 to 150 of the Internal Revenue Code of 1986, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

**Section 5.08 District Bonds.** The Trustee, as assignee of the Authority's rights pursuant to Section 4.01, shall (subject to the provisions of this Indenture) collect all amounts due as principal and interest on District Bonds from the District and, subject to the provisions hereof, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the District thereunder.

**Section 5.09 Further Assurances.** The Authority shall cause to be collected and paid to the Trustee all Revenues as such Revenues become due and payable. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

**Section 5.10 Immunity.** The Authority is not entitled to any immunity, sovereign or otherwise, from any legal proceedings to enforce or collect upon this Indenture or the Bonds. To the extent that the Authority has or hereafter may acquire any right to immunity, the Authority hereby waives such rights for itself in respect of its obligations arising under this Indenture and the Bonds.

**Section 5.11 No Acceleration.** The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the redemption of the Bonds or the defeasance of the Bonds and discharge of this Indenture.

## **ARTICLE VI THE TRUSTEE**

**Section 6.01 Appointment of Trustee.** U.S. Bank National Association is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.01 the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged by it.

**Section 6.02 Acceptance of Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee, prior to the occurrence of an Event of Default and after curing or waiving all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same

degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee may conclusively rely on an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds, or for any of the supplements hereto or thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder.

(d) The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.02(h) hereof, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its



negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not the duty) fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 8.02, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

**Section 6.03 Fees, Charges and Expenses of Trustee.** The Trustee shall be paid and reimbursed by the Authority for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of

Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses shall survive the discharge and payment or defeasance of the Bonds and termination of the Indenture, and the resignation or removal of the Trustee.

**Section 6.04 Notice to Bond Owners of Default.** If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that such Event of Default does not materially adversely affect the interests of the Bond Owners or that it is otherwise not in the best interests of the Bond Owners to give such notice.

**Section 6.05 Intervention by Trustee.** In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds arising under this Indenture, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02(l) hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) aggregate principal amount of such Bonds then Outstanding.

**Section 6.06 Removal of Trustee.** The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, or the Authority may (and the Authority, at the request of the District shall) so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee at least thirty (30) days prior to the effective date of such removal, whereupon the Authority or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.01.

**Section 6.07 Resignation by Trustee.** The Trustee and any successor Trustee may at any time give thirty (30) days' written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the District by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee.

**Section 6.08 Appointment of Successor Trustee.** In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, with the prior written consent of the District, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within ninety (90) days following the delivery to the Trustee of the instrument described in Section 6.06 or within ninety (90) days following the receipt of notice by the Authority pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the

Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Any resignation or removal of the Trustee pursuant to Section 6.06 or Section 6.07 and appointment of a successor Trustee shall become effective upon written acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

**Section 6.09 Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 6.10 Concerning any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

**Section 6.11 Appointment to Co-Trustee.** It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised

by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vested in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

**Section 6.12 Indemnification; Limited Liability of Trustee.** The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, costs, claims, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, costs, claims, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it is not assured to its satisfaction that repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The obligations of the Authority under this paragraph shall survive the resignation or removal of the Trustee under this Indenture or any defeasance of the Bonds.

## **ARTICLE VII MODIFICATION AND AMENDMENT OF THE INDENTURE**

### **Section 7.01 Amendment Hereof.**

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution by the Authority and the Trustee and upon prior written consent of the District, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners in the opinion of Bond Counsel;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; or

(iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

(b) Except as set forth in the preceding paragraph of this Section 7.01, this Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

(c) The Trustee shall be provided an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of this Article VII and the Trustee may conclusively rely upon such opinion.

**Section 7.02 Effect of Supplemental Indenture.** From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 7.03 Endorsement or Replacement of Bonds After Amendment.** After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to

conform to such Bond Owner's action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

**Section 7.04 Amendment by Mutual Consent.** The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

## **ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES**

**Section 8.01 Events of Default.** The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of the Bonds of not less than twenty-five percent (25%) in the aggregate principal amount of the Bonds at that time Outstanding, provided, however, that if in the reasonable opinion of the Authority, provided to the Trustee in writing, the failure stated in such notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such thirty (30) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

**Section 8.02 Remedies Upon Event of Default.** Upon the occurrence and during the continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on the Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing, the Trustee may, if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds, and indemnified as provided in Section 6.02(1), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any rights or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

**Section 8.03 Application of Revenues and Other Funds After Default.** All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid.

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII, including reasonable compensation to its agents, attorneys and counsel and any outstanding fees and expenses of the Trustee; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

- (a) first, to the payment of all installments of interest on the Bonds then due and unpaid,
- (b) second, to the payment of all installments of principal of the Bonds then due and unpaid,
- (c) third, to the payment of the redemption price (including principal and interest accrued to the redemption date, but excluding any premium) of the Bonds to be redeemed pursuant to this Indenture, and
- (d) fourth, to the payment of interest on overdue installments of principal and interest on the Bonds.

**Section 8.04 Power of Trustee to Control Proceedings.** In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds, opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

**Section 8.05 Appointment of Receivers.** Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

**Section 8.06 Non-Waiver.** Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default or breach shall impair any such right or power or shall be construed to be a waiver of any such default or breach or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

**Section 8.07 Rights and Remedies of Bond Owners.** No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to



the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such sixty (60) day period by the Owners of majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section 8.07 or any other provision of this Indenture.

**Section 8.08 Termination of Proceedings.** In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

## **ARTICLE IX MISCELLANEOUS**

**Section 9.01 Limited Liability of Authority.** Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the

credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

**Section 9.02 Benefits of Indenture Limited to Parties.** Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the District, the Trustee, and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the District and the Owners of the Bonds.

**Section 9.03 Discharge of Indenture.** If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, all together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made, for the mailing of such notice, then, at the Written Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in this Indenture with respect to such Bonds, pledge of Revenues and all other pecuniary obligations of the Authority under this Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payments or discharge of the Outstanding Bonds pursuant to this Section 9.03, which are not required for said purposes, shall be paid over to the Authority.

**Section 9.04 Successor Is Deemed Included in All References to Predecessor.**

Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

**Section 9.05 Content of Certificates.** Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

**Section 9.06 Execution of Documents by Bond Owners.** Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by their agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 9.06.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be proved by the Registration Books. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and

the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

**Section 9.07 Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded.

**Section 9.08 Waiver of Personal Liability.** No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

**Section 9.09 Partial Invalidity.** If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 9.10 Destruction of Canceled Bonds.** Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and deliver a certificate of destruction to the Authority.

**Section 9.11 Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to

all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the form of multiple funds, accounts or sub-accounts therein.

**Section 9.12 Payment on Business Days.** Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall not accrue from and after such day.

**Section 9.13 Notices.** Any notice, request, complaint, demand or other communication under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the District, or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority:                      Perris Joint Powers Authority  
101 North "D" Street  
Perris, California 92570  
Attention: Executive Director  
Tel: 951/943-6100  
Fax: 951/943-4246

If to the District:                        Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
101 North "D" Street  
Perris, California 92570  
Attention: City Manager  
Tel: 951/943-6100  
Fax: 951/943-4246

If to the Trustee:                        U.S. Bank National Association  
Global Corporate Trust Services  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attn: Ilse Vlach  
Tel: 213/615-6051  
Fax: 213/615-6199

**Section 9.14 Unclaimed Moneys.** Anything in this Indenture to the contrary notwithstanding, subject to the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds or any interest thereon have become due and payable, either at their stated

maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

**Section 9.15 Governing Law.** This Indenture shall be construed and governed in accordance with the laws of the State of California.

**Section 9.16 Execution of Counterparts.** This Indenture may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the PERRIS JOINT POWERS AUTHORITY has caused this Indenture to be signed in its name and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

PERRIS JOINT POWERS AUTHORITY

By: \_\_\_\_\_  
Executive Director

ATTEST:

By: \_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF BOND**

**UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF PERRIS OR THE HOUSING AUTHORITY OF THE CITY OF PERRIS.

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF RIVERSIDE  
PERRIS JOINT POWERS AUTHORITY  
LOCAL AGENCY REVENUE BONDS  
(CFD NO. 2006-2), 2015 SERIES B

RATE OF INTEREST      MATURITY DATE      DATED DATE      CUSIP®

REGISTERED OWNER:    CEDE & CO.

PRINCIPAL AMOUNT:

The PERRIS JOINT POWERS AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other moneys and securities hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (a) it is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month immediately preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date; (b) it is authenticated on or before February 15, 2015, in which event it shall bear interest from the Dated Date identified above; or (c) interest is in default on this Bond,



in which case this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2015 (each, an "Interest Payment Date"), until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the corporate trust office of U.S. Bank National Association, (the "Corporate Trust Office") of U.S. Bank National Association, as trustee (the "Trustee") or such other place as designated by the Trustee.

Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration Books of the Trustee as of the fifteenth calendar day of the month preceding such Interest Payment Date; except that at the written request of the owner of at least \$1,000,000 in aggregate principal amount of outstanding Bonds filed with the Trustee prior to the fifteenth calendar day of the month preceding any Interest Payment Date, interest on such Bonds shall be paid to such owner on such Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Notwithstanding any other provision herein to the contrary, so long as this Bond shall be registered in book entry only form, the payment of the principal of, and redemption premium, if any, and interest on, this Bond shall be paid in immediately available funds in such manner as determined by the Authority, the Trustee and the Owner.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture of Trust, dated as of April 1, 2015, by and between the Authority and the Trustee (the "Indenture"), or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated the "Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B" (the "Bonds"), limited in principal amount to \$\_\_\_\_\_ secured by the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act").

The Bonds are special obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien and pledge of the Revenues and certain other moneys and securities held by the Trustee as provided in the Indenture. All of the Bonds are equally secured by a first pledge of, and charge and lien upon, all of the Revenues and Redemption Revenues and such other moneys and securities, and the Revenues and Redemption Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest and premium (if any) on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Indenture.

The Bonds have been issued to provide funds to be applied by the Authority to the purchase of the local obligations designated as Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015 Series (the “District Bonds”), all as more particularly described in the Indenture.

The Bonds maturing on or prior to September 1, 2025, are not subject to Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 2025, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

The Bonds maturing September 1, 2035 are subject to mandatory redemption in part by lot, on September 1 in each year, commencing September 1, 2031, with respect to the Bonds maturing September 1, 2035, and September 1, 2036, with respect to the Bonds maturing September 1, 2045, from mandatory sinking payments made by the Authority as provided in this Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, such Bonds may be purchased by the Authority and tendered to the Trustee and the Trustee shall cancel such tendered Bonds, and (ii) if some but not all of such Bonds have been redeemed pursuant to the redemption provisions described in the Indenture, the total amount of all future mandatory sinking payments will be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such mandatory sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as determined by the Authority.

**BONDS MATURING SEPTEMBER 1, 2035**

<b>September 1 (Year)</b>	<b>Principal Amount</b>
2031	
2032	
2033	

2034  
2035\*  
**\*Maturity**

**BONDS MATURING SEPTEMBER 1, 2045**

<b>September 1 (Year)</b>	<b>Principal Amount</b>
2036	
2037	
2038	
2039	
2040	
2041	
2042	
2043	
2044	
<u>2045*</u>	

**\*Maturity**

The Bonds shall also be subject to special mandatory redemption on any date on or after September 1, 2015, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of District Bonds from amounts constituting prepayments of special taxes, from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority from the Cash Flow Management Fund under the Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date.

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2015 through August 31, 2025	102.0%
September 1, 2025 and thereafter	100.0%

The Trustee on behalf and at the expense of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, and the redemption price and shall designate the CUSIP® numbers, the Bond numbers (but only if less than all of the Outstanding Bonds are to be redeemed) and the maturity of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the

Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

For as long as a book-entry only system is in effect with respect to the Bonds and DTC or a successor Securities Depository is the sole registered owner of the Bonds, in the event of redemption of less than all of the maturity of the Bonds, the particular ownership interests of such maturity to be redeemed will be determined by DTC and its participants, or by a successor Securities Depository or any other intermediary, in accordance with their respective operating rules and procedures, which may be different than pro rata.

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the manual signatures of its Chairperson and Secretary all as of the Dated Date identified above.

PERRIS JOINT POWERS AUTHORITY

By: \_\_\_\_\_  
Chairperson

Attest: \_\_\_\_\_  
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the registration books of the Trustee.

Dated: \_\_\_\_\_, 2015

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
attorney, to transfer the same on the registration books of the Trustee with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

Signature:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an  
eligible guarantor institution

\_\_\_\_\_  
Note: The signature(s) on this assignment  
must correspond with the name(s) as  
written on the face of the within  
registered Bond in every particular  
without alteration or enlargement or  
any change whatsoever

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FISCAL AGENT AGREEMENT

by and between

COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES) OF THE CITY OF PERRIS

and

U.S. BANK NATIONAL ASSOCIATION,  
as Fiscal Agent

Dated as of April 1, 2015

Relating to:

\$ \_\_\_\_\_

Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris  
Special Tax Bonds, 2015 Series



## FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT (the "Agreement") is dated as of April 1, 2015, by and between the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the "District"), a community facilities district organized and existing under and by virtue of the laws of the State of California, and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (the "Fiscal Agent").

### WITNESSETH:

WHEREAS, the City Council (the "City Council") of the City of Perris (the "City") has formed the District under the provisions of the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code) (the "Act") and Resolution No. 3919 of the City Council adopted on February 27, 2007; and

WHEREAS, the City Council is authorized under the Act and pursuant to Resolution Nos. 3920, 3921, adopted on February 27, 2007, and Ordinance 1211, adopted on March 13, 2007, to levy special taxes to pay for the costs of facilities provided by the District, pursuant to the rate and method of apportionment approved by the qualified electors within the District; and

WHEREAS, on February 27, 2007 pursuant to Resolution No. 3920, the District authorized the issuance of one or more series of bonds to be secured by the special taxes within the District, in an amount not to exceed \$16,000,000 ("Resolution to Incur Bond Indebtedness"); and

WHEREAS, on March 31, 2015, the City Council adopted Resolution No. \_\_\_\_\_ (the "Resolution") authorizing the issuance and sale of bonds for the District pursuant to this Agreement, designated "Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015 Series" (the "Bonds"), for the purpose of financing the acquisition, rehabilitation and construction of certain public improvements and fees within the District (the "Facilities");

WHEREAS, the Bonds shall be secured by special taxes levied within the District pursuant to its Rate and Method of Apportionment; and

WHEREAS, the Perris Joint Powers Authority (the "Authority") intends to issue its Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B (the "Authority Bonds"), for the purpose of purchasing the Bonds and to fund a reserve account in the amount equal to the Reserve Requirement as that term is set forth in that certain Indenture of Trust, dated as of April 1, 2015, by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and to pay the expenses of the Authority in connection with the issuance of the Authority Bonds; and

WHEREAS, it is in the public interest and for the benefit of the City, the District, the persons responsible for the payment of special taxes and the owners of the Bonds that the District enters into this Agreement to provide for the issuance of the Bonds, the disbursement of proceeds

of the Bonds, the disposition of the special taxes securing the Bonds, and the administration and payment of the Bonds; and

WHEREAS, all things necessary to cause the Bonds, when authenticated by the Fiscal Agent and issued as provided in the Act, the Resolution and this Agreement, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Agreement and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds and Additional Bonds at any time issued and outstanding under this Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds and Additional Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds and Additional Bonds by the holders thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the District does hereby covenant and agree with the Fiscal Agent, for the benefit of the respective holders from time to time of the Bonds and Additional Bonds, as follows:

## **ARTICLE I STATUTORY AUTHORITY AND DEFINITIONS**

**1.1 Authority for this Agreement.** This Agreement is entered into pursuant to the provisions of the Act and the Resolution.

**1.2 Agreement for Benefit of Bond Owners.** The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City and the District shall be for the equal benefit, protection and security of the Owners from time to time. In consideration of the acceptance of the Bonds and Additional Bonds by the Owners thereof, this Agreement shall be deemed to be and shall constitute a contract between the District and the Owners; and the covenants and agreements herein set forth to be performed by the District shall be, for the equal and proportionate benefit, security and protection of all Owners of the Bonds and Additional Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds and Additional Bonds over any of the others by reason of the number, or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided, therein or herein. All of the Bonds and Additional Bonds, without regard to the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds and Additional Bonds over any other thereof, except as expressly provided in or permitted by this Agreement.

The Fiscal Agent may become the owner of any of the Bonds and Additional Bonds in its own or any other capacity with the same rights it would have if it were not Fiscal Agent.

**1.3 Definitions.** Unless the context otherwise requires, the terms defined in this Section 1.3 shall, for all purposes of this Agreement, of any Supplemental Agreement, and of

any certificate, opinion or other document herein mentioned, have the meanings herein specified. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement, and the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

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

“Additional Authority Bonds” means bonds issued by the Authority pursuant to an Additional Authority Indenture for the purchase of Additional Bonds.

“Additional Authority Indenture” means the indenture, trust agreement, fiscal agent agreement or other document governing the terms of Additional Authority Bonds.

“Additional Bond(s)” means additional bonds issued pursuant to Section 2.13 hereof, if permitted.

“Administrative Expense Fund” means the fund by that name established by Section 3.6(a) hereof.

“Administrative Expenses” means any or all of the following: the fees and expenses of the Fiscal Agent (including any fees or expenses of its counsel), the expenses of the City or the District (including fees and expenses of counsel) in carrying out their duties hereunder (including, but not limited to, the levying and collection of the Special Taxes, including costs associated with foreclosure proceedings or work-outs with property owners), complying with the disclosure provisions of the Act, the Continuing Disclosure Agreement and this Agreement, including those related to public inquiries regarding the Special Tax and disclosures to Bond Owners and the Original Purchaser; the costs of the City and the District or their designees related to an appeal of the Special Tax; any costs of the City and the District (including fees and expenses of counsel) to defend the first lien on and pledge of the Special Taxes to the payment of the Bonds and Additional Bonds or otherwise in respect of litigation relating to the District or the Bonds and Additional Bonds or with respect to any other obligations of the District; any amounts required to be rebated to the federal government in order for the District to comply with Section 5.10(h), including the fees and expenses of its counsel; the costs of any dissemination agent under the continuing disclosure agreements entered into by the City and the District; an allocable share of the salaries of City staff directly related thereto and a proportionate amount of City general administrative overhead related thereto, and all other costs and expenses of the City, the District, or the Fiscal Agent incurred in connection with the discharge of their respective duties hereunder, and in the case of the City, in any way related to the administration of the District and all actual costs and expenses incurred in connection with the administration of the Bonds and Additional Bonds and the Authority Bonds.

“Agreement” means this Fiscal Agent Agreement, as it may be amended or supplemented from time to time by any Supplemental Agreement adopted pursuant to the provisions hereof.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest due

on the Outstanding Bonds and Additional Bonds in such Bond Year, assuming that the Outstanding Bonds and Additional Bonds are retired as scheduled, and (ii) the principal amount of the Outstanding Bonds and Additional Bonds due in such Bond Year (including mandatory sinking payments, if any).

“Auditor” means the auditor/tax collector of the County of Riverside.

“Authority” means the Perris Joint Powers Authority, a joint powers authority existing under Government Code Section 6500 *et seq.*

“Authority Bonds” means the \$ \_\_\_\_\_ initial principal amount of Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B, or such other series of local agency revenue bonds issued by the Authority, the proceeds of which are used to acquire one or more series of Additional Bonds.

“Authority Indenture” means the Indenture of Trust, dated as of April 1, 2015, between the Authority and U.S. Bank National Association, as trustee, relating to the Authority Bonds, or such other indenture of trust, fiscal agent agreement, trust agreement or other documents, as the case may be, relating to the Authority Bonds.

“Authorized Officer” means the City Manager, Assistant City Manager, Finance Director or City Clerk of the City, or any other officer or employee authorized by the City Council of the City or by an Authorized Officer to undertake the action referenced in this Agreement as required to be undertaken by an Authorized Officer.

“Bond Counsel” means (i) Aleshire & Wynder, LLP, or (ii) any attorney or firm of attorneys acceptable to the District and nationally recognized for expertise in rendering opinions as to the legality and tax-exempt status of securities issued by public entities.

“Bond Fund” means the fund by that name established by Section 4.2(a) hereof.

“Bonds” means the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015 Series, authorized by, and at any time Outstanding pursuant hereto.

“Bond Year” means each one-year period beginning on September 2 of each year and ending on September 1 of the following year, except that the first Bond Year shall begin on the Closing Date and end on September 1, 2016; provided, however, that with respect to the Authority Bonds, for Federal tax purposes, the term “Bond Year” shall be defined as set forth in the Authority Indenture.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which the offices of the City are not open for business, or (iii) a day on which banking institutions in the state in which the Fiscal Agent has its principal corporate trust office is authorized or obligated by law or executive order to be closed.

“CDIAC” means the California Debt and Investment Advisory Commission of the office of the State Treasurer of the State of California or any successor agency or bureau thereof.

“City” means the City of Perris, California.

“City Council” means the City Council of the City.

“City Manager” means the City Manager of the City.

“Closing Date” means the date upon which there is a physical delivery of the Bonds and/or Additional Bonds in exchange for the amount representing the purchase price of the Bonds and/or Additional Bonds by the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Authority Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Authority Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Agreement” shall mean any Continuing Disclosure Agreement, by and between the District and a Dissemination Agent, relating to the Authority Bonds, executed on the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Corporate Trust Office” means the corporate trust office of the Fiscal Agent located in Los Angeles, California or such other office designated from time to time by the Fiscal Agent in writing to the District.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds or Additional Bonds, as applicable, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the City and the Fiscal Agent, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund established pursuant to Section 3.8 hereof.

“County” means the County of Riverside, California.

“Debt Service” means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period, which relate to principal which has been retired before the beginning of such period.

“Delinquency Management Fund” means the fund by that name established by Section 3.9(a) hereof.

“Delinquency Management Fund Requirement” means, as of any calculation date, an amount equal to 15% of the Maximum Annual Debt Service.

“Dissemination Agent” means Willdan Financial Services or such other Dissemination Agent as may be appointed by the City pursuant to the Continuing Disclosure Agreement.

“District” means the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris, formed pursuant to the Resolution of Formation.

“Facilities” means the facilities more particularly described in the original resolution of intention, or any portion of the Facilities financed by the Bonds.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Federal Securities” means any of the following which are non-callable and which at the time of investment are legal investments under the laws of the State of California for funds held by the Fiscal Agent, as shall be certified by the District to the Fiscal Agent:

- (1) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the United States Department of the Treasury) and obligations, the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America, including, without limitation, such of the foregoing which are commonly referred to as “stripped” obligations and coupons;
- (2) any of the following obligations of the following agencies of the United States of America: (a) direct obligations of the Export-Import Bank, (b) certificates of beneficial ownership issued by the Farmers Home Administration, (c) participation certificates issued by the General Services Administration, (d) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, (e) project notes issued by the United States Department of Housing and Urban Development, and (f) public housing notes and bonds guaranteed by the United States of America; or refunded municipal

obligations, the timely payment of principal of and interest on are fully guaranteed by the United States of America.

“Fiscal Agent” means the Fiscal Agent appointed by the District and acting as an independent fiscal agent with the duties and powers herein provided, its successors and assigns, and any other corporation or association which may at any time be substituted in its place, as provided in Section 8.1.

“Fiscal Year” means the twelve-month period extending from July 1 in a calendar year to June 30 of the succeeding year, both dates inclusive.

“Interest Account” means the account by that name established in the Bond Fund pursuant to Section 4.2 hereof.

“Interest Payment Date” means March 1 and September 1 of each year, commencing September 1, 2015, with respect to the Bonds.

“Investment Earnings” means all interest earned and any gains and losses on the investment of moneys in any fund or account created by this Agreement.

“Legislative Body” means the City Council of the City.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year after the calculation is made through the final maturity date of any Outstanding Bonds and Additional Bonds.

“Net Taxes” means Special Taxes less Administrative Expenses.

“Officer’s Certificate” means a written certificate of the District or the City signed by an Authorized Officer of the City.

“Ordinance” means any ordinance of the City levying the Special Taxes, including Ordinance No. 1211, adopted March 13, 2007.

“Original Purchaser” means, with respect to the Bonds, the Authority, and with respect to an issue of Additional Bonds, the initial purchaser of such Additional Bonds.

“Outstanding” when used as of any particular time with reference to Bonds and Additional Bonds, means (subject to the provisions of Section 9.4) all Bonds and Additional Bonds except: (i) Bonds and Additional Bonds theretofore canceled by the Fiscal Agent or surrendered to the Fiscal Agent for cancellation; (ii) Bonds and Additional Bonds paid or deemed to have been paid within the meaning of Section 10.3; and (iii) Bonds and Additional Bonds in lieu of or in substitution for which other Bonds and Additional Bonds shall have been authorized, executed, issued and delivered by the District pursuant to this Agreement or any Supplemental Agreement.

“Owner” or “Bond Owner” means any person who shall be the registered owner of any Outstanding Bond and/or Additional Bonds, as the case may be.

“Participating Underwriter” means any of the original underwriter(s) of the Authority Bonds required to comply with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, in connection with the offering of the Authority Bonds.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State and the City’s or District’s investment policies for the moneys proposed to be invested therein (the Fiscal Agent is entitled to rely on written investment direction of the District as a determination that such investment is a legal investment), but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) debentures of the Federal Housing Administration; (v) participation certificates of the General Services Administration; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(d) money-market funds (including funds of the Fiscal Agent or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAAm,” or “AAm,” or, if rated by Moody’s, rated “Aaa-mf,” “Aa-mf” or “A-mf;”

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Fiscal Agent must have a perfected first security interest in such collateral;



(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Fiscal Agent and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, forward purchase agreements and Reserve Account put agreements, which are general obligations of an entity whose long term debt obligations, or claims paying ability, respectively, is rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Fiscal Agent and the transfer of cash from the Fiscal Agent to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Fiscal Agent in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Fiscal Agent and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Fiscal Agent or a third party acting as agent for the Fiscal Agent simultaneous with payment (perfection by possession of certificated securities); (D) the Fiscal Agent must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two-day restoration period, will require the Fiscal Agent to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the

collateral must be equal to 105% of the amount of cash transferred by the Fiscal Agent to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Fiscal Agent, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Fiscal Agent to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds; and

(l) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Fiscal Agent is authorized to register such investment in its name.

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

“Principal Account” means the account by that name established in the Bond Fund pursuant to Section 4.2 hereof.

“Record Date” means the fifteenth day of the month next preceding the month of the applicable Interest Payment Date.

“Redemption Fund” means the fund by that name established by Section 3.11 hereof.

“Redemption Revenues” means (a) prepayments of the Special Taxes, (b) any amounts transferred pursuant to the Authority Indenture for the redemption of Bonds or pursuant to an Additional Authority Indenture for the redemption of Additional Bonds, (c) amounts transferred from the Delinquency Management Fund for the redemption of Bonds or Additional Bonds, and (d) any amounts deposited for the Special Mandatory Redemption or Optional Redemption of Bonds or Additional Bonds pursuant to Section 2.3(a).

“Registration Books” means the records maintained by the Fiscal Agent pursuant to Section 2.8 hereof for the registration and transfer of ownership of the Bonds and Additional Bonds.

“Reserve Account” means the account by that name established pursuant to the Authority Indenture.

“Resolution” means Resolution No. \_\_\_\_\_ adopted by the Legislative Body on March 31, 2015, as now in effect or as it may hereafter be amended from time to time, and any resolution adopted by the Legislative Body with respect to a series of Additional Bonds, as such resolution is in effect or may be amended from time to time.

“Resolution of Formation” means Resolution No. 3919 adopted by the Legislative Body on February 27, 2007, as now in effect or as it may hereafter be amended from time to time.

“RMA” means the Rate and Method of Apportionment of the Special Tax for the District.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., and its successors.

“Special Tax Fund” means the fund by that name established by Section 3.4(a) hereof.

“Special Tax Revenues” means (a) the proceeds of the Special Taxes received by the District, including any scheduled payments and any prepayments thereof and interest thereon, (b) income and gains with respect to the investment of amounts on deposit in the funds and accounts established hereunder for the Bonds and Additional Bonds and (c) proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes. Notwithstanding the foregoing, “Special Tax Revenues” does not include any penalties or interest in excess of the interest payable on the Bonds or Additional Bonds collected in connection with delinquent Special Taxes.

“Special Taxes” means the special taxes levied within the District pursuant to the Act, the Ordinance, this Agreement and the RMA.

“State” means the State of California.

“Supplemental Agreement” means an agreement the execution of which is authorized by a resolution which has been duly adopted by the Legislative Body of the District under the Act and which agreement is amendatory of or supplemental to this Agreement, but only if and to the extent that such agreement is specifically authorized hereunder.

“Tax and Nonarbitrage Certificate” means, with respect to the Authority Bonds, the Tax and Nonarbitrage Certificate, dated the date of issuance of the Authority Bonds, as originally executed and as it may from time to time be amended or supplemented pursuant to its terms.

“Treasurer” means the person who is acting in the capacity as treasurer or finance director to the City.

## **ARTICLE II THE BONDS**

**2.1 Principal Amounts; Designations.** Bonds in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) are hereby authorized to be issued under and subject to the terms of the Resolution and this Agreement, the Act and other applicable laws of the State of California. The Bonds shall be designated “Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015

Series.” This Agreement constitutes a continuing agreement of the District with the Owners from time to time of the Bonds to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

**2.2 Terms of Bonds.**

(a) Form; Denominations. The Bonds shall be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds shall be lettered and numbered in a customary manner as determined by the Fiscal Agent.

(b) Date of the Bonds. The Bonds shall be dated the Closing Date.

(c) Maturities, Interest Rates. The Bonds shall mature on the dates and shall bear interest at the rates as follows:

<u>Maturity Date</u> <u>(September 1)</u>	<u>Amount</u>	<u>Coupon</u>
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2035*		
2045*		

\*Term Bond  
Maturity

(d) Interest. The Bonds shall bear interest at the rates set forth above payable on the Interest Payment Dates in each year. Interest shall be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless (i) it is authenticated after a Record Date and on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, or (ii) it is authenticated on or before February 15, 2015, in which event it shall bear interest from the Closing Date, or (iii) interest with respect to any Outstanding Bond is in default, in which

event interest with respect thereto will be payable from the date to which interest has previously been paid or made available for payment thereon.

(e) Method of Payment. Interest on the Bonds (including the final interest payment upon maturity or earlier redemption) is payable by check of the Fiscal Agent mailed on the Interest Payment Dates by first class mail to the registered Owner thereof at such registered Owner's address as it appears on the registration books maintained by the Fiscal Agent at the close of business on the Record Date preceding the Interest Payment Date, or by wire transfer made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds.

The principal of the Bonds and any premium on the Bonds are payable in lawful money of the United States of America upon surrender of the Bonds at the Corporate Trust Office of the Fiscal Agent.

All Bonds paid by the Fiscal Agent pursuant to this Section shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds.

### **2.3 Redemption.**

(a) Redemption Dates.

(i) *Optional Redemption.* The Bonds are subject to redemption prior to maturity at the option of the District from any source of funds, as a whole or in part, on any date on or after September 1, 2025 as selected by the District, upon direction of the Authority, at the redemption prices and schedules applicable to the Authority Bonds. Notwithstanding anything to the contrary, with respect to optional redemptions related to the Authority Bonds, the District shall abide by the priority of redemption relating to the Authority Bonds permitted by the Authority Indenture.

(ii) *Special Mandatory Redemption from Prepayment of Special Taxes and from Surplus Funds.* The Bonds shall also be subject to mandatory redemption on any date on or after September 1, 2015, in whole or in part as selected by the District, from amounts constituting prepayments of Special Taxes, from amounts transferred from the Delinquency Management Fund hereunder and from amounts transferred by the Authority to the District from the Cash Flow Management Fund under the Authority Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2015 through August 31, 2025	102.0%
September 1, 2025 and thereafter	100.0%

(iii) *Mandatory Sinking Payment Redemption.* The Bonds are not subject to Mandatory Sinking Payment Redemption.

(b) Notice to Fiscal Agent. The District shall give the Fiscal Agent written notice of its intention to redeem Bonds pursuant to subsection (a)(i) not less than sixty (60) days prior to the applicable redemption date, unless such lesser number of days' notice shall be acceptable to the Fiscal Agent, such notice being for the convenience of the Fiscal Agent. Notwithstanding any provisions in this Agreement to the contrary, upon any optional redemption or special mandatory redemption in part, the District shall deliver an Officer's Certificate to the Fiscal Agent at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Fiscal Agent so stating that the remaining payments of principal and interest on the Bonds, together with Special Taxes to be available, will be sufficient on a timely basis to pay debt service on the Authority Bonds, as demonstrated in a cash flow certificate delivered to the Fiscal Agent with such Officer's Certificate.

The District shall in such Officer's Certificate certify to the Fiscal Agent that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund and is required to deliver such moneys to the Fiscal Agent together with other Special Tax Revenues, if any, then to be delivered to the Fiscal Agent pursuant to this Agreement, which moneys are required to be identified to the Fiscal Agent in the Officer's Certificate delivered with the Special Tax Revenues.

(c) Redemption Procedure by Fiscal Agent. The Fiscal Agent shall cause notice of any redemption to be mailed by first class mail, postage prepaid, at least thirty (30) days but not more than sixty (60) days prior to the date fixed for redemption, to the respective registered Owners of any Bonds designated for redemption, at their addresses appearing on the Bond registration books in the Corporate Trust Office of the Fiscal Agent; but such mailing shall not be a condition precedent to such redemption and failure to mail or to receive any such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of such Bonds.

Such notice shall state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the Bond numbers of the Bonds to be redeemed or shall state that all Bonds between two stated Bond numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption, shall state as to any Bond called in part the principal amount thereof to be redeemed, and shall require that such Bonds be then surrendered at the Corporate Trust Office of the Fiscal Agent for redemption at the said redemption price, and shall state that further interest on such Bonds will not accrue from and after the redemption date. The cost of mailing any such redemption notice and any expenses incurred by the Fiscal Agent in connection therewith shall be paid by the District.

The District shall have the right to rescind any notice of optional redemption by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Any notice of such redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder. The District and the Fiscal Agent shall have no liability to the Owners or any other party related or arising from such rescission of redemption. The Fiscal Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Whenever provision is made in this Agreement for the redemption of less than all of the Bonds or any given portion thereof, the Fiscal Agent shall select the Bonds to be redeemed, from all Bonds or such given portion thereof not previously called for redemption, among maturities as specified by the District in a written certificate delivered to the Fiscal Agent, and by lot within a maturity in any manner which the District in its sole discretion shall deem appropriate and fair. In providing such certificate, the District shall provide for the redemption of Bonds such that the remaining Debt Service payable on the Bonds shall remain as level as possible.

Upon surrender of Bonds redeemed in part only, the District shall execute and the Fiscal Agent shall authenticate and deliver to the registered Owner, at the expense of the District, a new Bond or Bonds, of the same series and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(d) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of, and interest and any premium on, the Bonds so called for redemption shall have been deposited in the Bond Fund, such Bonds so called shall cease to be entitled to any benefit under this Agreement other than the right to receive payment of the redemption price, and no interest shall accrue thereon on or after the redemption date specified in such notice.

All Bonds redeemed and purchased by the Fiscal Agent pursuant to this Section 2.3 shall be canceled by the Fiscal Agent. The Fiscal Agent shall destroy the canceled Bonds.

(e) Partial Redemption. If in the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the City will execute, on behalf of the District, and the Fiscal Agent will authenticate and deliver to the Bond Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**2.4 Form of Bonds.** The Bonds, the form of Fiscal Agent's certificate of authentication and the form of assignment to appear thereon, shall be substantially in the forms, respectively, set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Agreement, the Resolution and the Act.

**2.5 Execution of Bonds.** The Bonds shall be executed on behalf of the District by the manual or facsimile signatures of the Mayor, and City Clerk, who are in office on the date of adoption of this Agreement or at any time thereafter. Unless otherwise provided in any Supplemental Agreement with respect to the Bonds, the Bonds shall then be delivered to the Fiscal Agent for authentication. If any officer whose signature appears on any Bond ceases to be

such officer before delivery of the Bonds to the owner, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the owner. Any Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of such Bond shall be the proper officers of the District although at the nominal date of such Bond any such person shall not have been such officer of the District.

Only such Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, executed and dated by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of authentication of the Fiscal Agent shall be conclusive evidence that the Bonds registered hereunder have been duly authenticated, registered and delivered hereunder and are entitled to the benefits of this Agreement.

**2.6 Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.8 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

**2.7 Exchange of Bonds.** Bonds may be exchanged at the Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

**2.8 Bond Register.** The Fiscal Agent will keep or cause to be kept, at its Corporate Trust Office sufficient books for the registration and transfer of the Bonds which books shall show the series number, date, amount, rate of interest and last known owner of each Bond and shall at all times be open to inspection by the District or the City during regular business hours upon reasonable notice; and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the ownership of the Bonds as hereinbefore provided.



The District and the Fiscal Agent will treat the Owner of any Bond whose name appears on the Bond register as the absolute Owner of such Bond for any and all purposes, and the District and the Fiscal Agent shall not be affected by any notice to the contrary. The District and the Fiscal Agent may rely on the address of the Bond Owner as it appears in the Bond register for any and all purposes.

**2.9 Temporary Bonds.** The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Bond shall be executed by the District upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the Corporate Trust Office of the Fiscal Agent or at such other location as the Fiscal Agent shall designate, and the Fiscal Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary bonds shall be entitled to the same benefits under this Agreement as definitive Bonds authenticated and delivered hereunder.

**2.10 Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall authenticate and deliver, a new Bond of like tenor and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond, so surrendered to the Fiscal Agent shall be canceled by it and destroyed by the Fiscal Agent who shall deliver a certificate of destruction thereof to the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence be satisfactory to it and indemnity for the District and the Fiscal Agent satisfactory to the Fiscal Agent shall be given, the District, at the expense of the Owner, shall execute, and the Fiscal Agent shall authenticate and deliver a new Bond of like tenor and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The District may require payment of a sum not exceeding the actual cost of preparing each new Bond delivered under this Section and of the expenses which may be incurred by the District and the Fiscal Agent for the preparation, execution, authentication and delivery. Any Bond delivered under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen is at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Agreement with all other Bonds issued pursuant to this Agreement.

**2.11 Limited Obligation.** All obligations of the District under this Agreement and the Bonds shall be special obligations of the District, payable solely from the Special Tax Revenues and the funds pledged therefor hereunder. Neither the faith and credit nor the taxing power of the District (except to the limited extent set forth herein) or the State of California or any political subdivision thereof is pledged to the payment of the Bonds.

**2.12 No Acceleration.** The principal of the Bonds shall not be subject to acceleration hereunder. Nothing in this Section shall in any way prohibit the prepayment or redemption of Bonds under Section 2.3 hereof, or the defeasance of the Bonds and discharge of this Agreement under Section 10.3 hereof.

**2.13 Additional Bonds Prohibited.** Other than for refunding purposes, no Additional Bonds entitled to a lien on the Special Tax Revenues shall be issued hereunder.

### **ARTICLE III ISSUANCE OF BONDS**

**3.1 Issuance and Delivery of the Bonds.** At any time after the execution of this Agreement, the District may issue the Bonds in the aggregate principal amount set forth in Section 2.1 and deliver the Bonds to the Original Purchaser. The Authorized Officers of the District are hereby authorized and directed to deliver any and all documents and instruments necessary to cause the issuance of the Bonds in accordance with the provisions of the Act, the Resolution and this Agreement and to do and cause to be done any and all acts and things necessary or convenient for delivery of the Bonds to the Original Purchaser, upon payment of the purchase price for the Bonds.

**3.2 Application of Proceeds of Sale of the Bonds and Other Funds.** On the Closing Date, the total amount of \$\_\_\_\_\_, which shall constitute (1) proceeds of the sale of the Bonds in the amount of \$\_\_\_\_\_ (being the Principal Amount of \$\_\_\_\_\_, less a net bond purchase discount of \$\_\_\_\_\_), plus (2) \$\_\_\_\_\_ from other available funds transferred to the Fiscal Agent pursuant to the Escrow Agreement, shall be received by the Fiscal Agent and deposited or transferred by the Fiscal Agent as follows (the Fiscal Agent may establish temporary funds or accounts to record or facilitate any such deposit or transfer):

(a) The Fiscal Agent shall transfer \$\_\_\_\_\_ to the Escrow Agent for deposit pursuant to the Escrow Agreement.

(b) The Fiscal Agent shall deposit \$\_\_\_\_\_ into the Delinquency Management Fund. The moneys deposited in the Delinquency Management Fund shall be from funds that are not Bond proceeds.

(c) The Fiscal Agent shall deposit \$\_\_\_\_\_ in the Costs of Issuance Fund, which amounts shall be from other available funds.

(d) The Fiscal Agent shall deposit \$\_\_\_\_\_ into the Administrative Expense Fund for first year administrative expenses. The moneys deposited in the Administrative Expense Fund shall be from funds that are not Bond proceeds.

**3.3 Validity of Bonds.** The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the acquisition of the Facilities or upon the performance by any person of his obligation with respect to the Facilities.

### 3.4 Special Taxes Receipt Fund and Special Tax Fund.

(a) Establishment of Special Taxes Receipt Fund and Special Tax Fund. The City shall establish a fund known as the “Special Taxes Receipt Fund” (in which it shall create an account for each Community Facilities District within the City). The City shall deposit Special Taxes when received in the account established for the District and immediately thereafter transfer such amounts to the Fiscal Agent for deposit in the Special Tax Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the “Special Tax Fund,” to the credit of which the Fiscal Agent, on behalf of the District, shall deposit, immediately upon receipt, all Special Tax Revenues received by the District or the City on behalf of the District. Moneys in the Special Tax Fund shall be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursements. After depositing an amount of Special Tax Revenues budgeted for Administrative Expenses to the Administrative Expense Fund pursuant to a written direction of the District, no later than ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer to the Bond Fund as follows:

(i) To the Interest Account of the Bond Fund, an amount such that the balance in the Interest Account shall be equal to the installment of interest due on the Bonds and Additional Bonds on said Interest Payment Date.

(ii) To the Principal Account of the Bond Fund, an amount such that the balance in the Principal Account shall at least equal the principal payment (including mandatory sinking payments) due on the Bonds on said Interest Payment Date.

Notwithstanding the foregoing, amounts shall be transferred to the Principal Account or the Interest Account from the Special Tax Fund and immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

(c) Investment. Moneys in the Special Tax Fund shall be invested and deposited in accordance with Section 6.1. Interest earnings and profits resulting from such investment and deposit shall be retained in the Special Tax Fund to be used for the purposes thereof.

(d) Disposition of Surplus. On September 2 of each year, commencing September 2, 2015, the Fiscal Agent shall transfer any amounts remaining in the Special Tax Fund following payment of each disbursement required pursuant to subsection (b) above, to the Delinquency Management Fund.

**3.5 Reserved.**

**3.6 Administrative Expense Fund.**

(a) Establishment of Administrative Expense Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the “Administrative Expense Fund,” to the credit of which the amount budgeted and levied for Administrative Expenses shall be made. Moneys in the Administrative Expense Fund shall be held in trust by the Fiscal Agent for the benefit of the District, and shall be disbursed as provided below.

(b) Disbursement. Amounts in the Administrative Expense Fund shall be withdrawn by the Fiscal Agent and paid to the District or the City or its order upon receipt by the Fiscal Agent of an Officer’s Certificate stating the amount to be withdrawn, that such amount is to be used to pay an Administrative Expense, and the nature of such Administrative Expense.

Annually, at least five (5) days prior to the last day of each Bond Year, the Fiscal Agent shall withdraw any amounts then remaining in the Administrative Expense Fund that have not been allocated to pay Administrative Expenses incurred but not yet paid, and which are not otherwise encumbered or expected to be needed for the purposes of such fund, and transfer such amounts to the Special Tax Fund.

(c) Investment. Moneys in the Administrative Expense Fund shall be invested and deposited in accordance with Section 6.1 hereof. Interest earnings and profits resulting from said investment shall be retained in the Administrative Expense Fund to be used for the purposes of such fund.

**3.7 Reserved.**

**3.8 Costs of Issuance Fund.** The Fiscal Agent shall establish and maintain a separate fund to be held by the Fiscal Agent known as the “Costs of Issuance Fund” into which shall be deposited the amounts set forth in Section 3.2(c) above or as required by a Supplemental Agreement. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt of an Officer’s Certificate of the District. On the date which is one hundred eighty (180) days following the Closing Date, or upon the earlier receipt by the Fiscal Agent of a written request of the District stating that all Costs of Issuance have been paid, the Fiscal Agent shall transfer all remaining amounts in the Costs of Issuance Fund to be deposited in the Bond Fund.

**3.9 Delinquency Management Fund.**

(a) Establishment of Delinquency Management Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the “Delinquency Management Fund,” to the credit of which a deposit shall be made as required by Sections 3.2, 3.4 and this Section 3.9. Moneys in the Delinquency Management Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds and Additional Bonds, and shall be disbursed as provided below. In no event shall any Bond proceeds be deposited in the Delinquency Management Fund.

(i) The Fiscal Agent shall transfer from any amount in the Delinquency Management Fund to the appropriate accounts within the Bond Fund to pay debt service on the Bonds to the extent Special Taxes are insufficient for such purpose.

(ii) The Fiscal Agent shall transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Administrative Expense Fund in an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefore.

(iii) Upon the written direction of the District, the Fiscal Agent shall transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Special Mandatory Redemption Account of the Redemption Fund for redemption of the Bonds on the next redemption date for which notice of redemption can be timely given, unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

(b) Investment. Moneys in the Delinquency Management Fund shall be invested and deposited in accordance with Section 6.1. Interest earnings and profits resulting from said investment shall be retained in the Delinquency Management Fund to be used for the purposes of such fund.

### **3.10 Reserved.**

### **3.11 Redemption Fund.**

(a) Establishment of the Redemption Fund. There is hereby established as a separate fund to be held by the Fiscal Agent, the “Redemption Fund” (in which there shall be established and created an Optional Redemption Account and a Special Mandatory Redemption Account), to the credit of which the District or the City on behalf of the District, shall deposit, immediately upon receipt, all Redemption Revenues received by the District or the City on behalf of the District. Moneys in the Redemption Fund shall be held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds and Additional Bonds, shall be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursement.

(i) All prepayments of Special Taxes and amounts transferred from the Delinquency Management Fund for the redemption of Bonds and Additional Bonds or transferred from the Authority under the Authority Indenture or an Additional Authority Indenture for the redemption of Bonds and Additional Bonds shall be deposited in the Special Mandatory Redemption Account to be used to redeem Bonds and Additional Bonds on the next date for which notice of redemption can timely be given.

(ii) Any amounts deposited for the optional redemption of Bonds and Additional Bonds shall be deposited into the Optional Redemption Account to be used to redeem Bonds and Additional Bonds (as applicable) on the next date for which notice of redemption can timely be given.

(c) Investment. Moneys in the Redemption Fund shall be invested and deposited in accordance with Section 6.1. Interest earnings and profits resulting from said investment shall be retained in the Redemption Fund to be used for the purposes of such fund.

#### **ARTICLE IV SPECIAL TAX REVENUES; BOND FUND**

**4.1 Pledge of Special Tax Revenues.** The Bonds and Additional Bonds shall be secured by a first pledge (which pledge shall be effected in the manner and to the extent herein provided) of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and, until disbursed, as provided herein, in the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund. The Special Tax Revenues and all moneys deposited into said funds (except as otherwise provided herein) are hereby dedicated to the payment of the principal of, and interest and any premium on the Bonds and Additional Bonds as provided herein and in the Act until all of the Bonds and Additional Bonds have been paid and retired or until moneys or Federal Securities have been set aside irrevocably for that purpose in accordance with Section 10.3.

Amounts in the Administrative Expense Fund are not pledged to the repayment of the Bonds and/or Additional Bonds. The Facilities financed or refinanced with the proceeds of the Bonds and Additional Bonds are not in any way pledged to pay the Debt Service on the Bonds and Additional Bonds. Any proceeds of condemnation or destruction of any Facilities financed or refinanced with the proceeds of the Bonds and Additional Bonds are not pledged to pay the Debt Service on the Bonds and Additional Bonds and are free and clear of any lien or obligation imposed hereunder.

#### **4.2 Bond Fund.**

(a) Establishment of Bond Fund. There is hereby established as a separate fund to be held by the Fiscal Agent known as the “Bond Fund” (in which there shall be established and created an Interest Account and a Principal Account) to the credit of which deposits shall be made as required by Sections 3.4(b), 3.8, and 3.9 hereof, and any other amounts required to be deposited therein by this Agreement, a Supplemental Agreement or the Act. Moneys in the Bond Fund shall be held in trust by the Fiscal Agent for the benefit of the Owners of the Bonds and Additional Bonds, shall be disbursed for the payment of the principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds as provided below, and, pending such disbursement, shall be subject to a lien in favor of the Owners of the Bonds and Additional Bonds.

(b) Disbursements. On each Interest Payment Date, the Fiscal Agent shall withdraw from the Principal Account and the Interest Account and pay to the Owners of the Bonds and Additional Bonds the principal of (including mandatory sinking payments) and

interest due on the Bonds and Additional Bonds, respectively; provided that available amounts in the Principal Account and the Interest Account shall first be used to pay any past due installments of principal of (including mandatory sinking payments, if any) and interest on the Bonds and Additional Bonds, respectively. Notwithstanding the foregoing, amounts transferred to the Principal Account or the Interest Account from the Special Tax Fund constituting delinquent payments of Special Taxes pursuant to Section 3.4(b) hereof shall immediately be paid to the Owners of the Bonds and Additional Bonds in respect of past due payments on the Bonds and Additional Bonds.

Any installment of principal (including mandatory sinking payments, if any) or interest on the Bonds and Additional Bonds which is not paid when due shall accrue interest at the rate of interest on the Bonds and Additional Bonds until paid, and shall be paid whenever funds in the Bond Fund are sufficient therefor.

If at any time the Fiscal Agent fails to pay principal and interest due on any scheduled payment date for the Bonds and Additional Bonds, the Fiscal Agent shall notify the District and the Treasurer in writing of such failure, and the Treasurer shall notify CDIAC of such failure within 10 days of the failure to make such payment, as required by Section 53359(c)(1) of the Act.

(c) Investment. Moneys in the Bond Fund shall be invested and deposited in accordance with Section 6.1 hereof. Interest earnings and profits resulting from the investment and deposit of amounts in the Bond Fund shall be retained in the Bond Fund.

## ARTICLE V OTHER COVENANTS OF THE DISTRICT

**5.1 Punctual Payment.** The District shall punctually pay or cause to be paid the principal of, and interest and any premium on, the Bonds and Additional Bonds when and as due in strict conformity with the terms of this Agreement and any Supplemental Agreement, and it will faithfully observe and perform all of the conditions, covenants and requirements of this Agreement and all Supplemental Agreements and of the Bonds and Additional Bonds.

**5.2 Limited Obligation.** The Bonds and Additional Bonds are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts on deposit in the Bond Fund, the Special Tax Fund, the Redemption Fund, and the Delinquency Management Fund, created hereunder, and do not constitute a debt or liability of the City, the State, or of any political subdivision thereof.

**5.3 Extension of Time for Payment.** In order to prevent any accumulation of claims for interest after maturity, the District shall not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any of the Bonds and Additional Bonds and shall not, directly or indirectly, be a party to the approval of any such arrangement by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the District, such claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits of this Agreement, except subject to the prior payment in full of the

principal of all of the Bonds and Additional Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded. Nothing in this section shall be deemed to limit the right of the District to issue bonds for the purpose of refunding any Outstanding Bonds and Additional Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds and Additional Bonds.

**5.4 Against Encumbrances.** The District will not encumber, pledge or place any charge or lien upon any of the Special Tax Revenues, or other amounts pledged to the Bonds and Additional Bonds superior to or on a parity with the pledge and lien herein created for the benefit of the Bonds and Additional Bonds, except as permitted by this Agreement.

**5.5 Books and Records.** The District will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Administrative Expense Fund and the Special Tax Fund and relating to the Special Tax Revenues. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice be subject to the inspection of the Fiscal Agent (who shall have no duties to inspect) and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional Bonds then Outstanding, or their representatives duly authorized in writing.

The Fiscal Agent will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Fiscal Agent, in which accurate entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Bond Fund and the Costs of Issuance Fund. Such books of record and accounts shall at all times during business hours and upon reasonable prior notice be subject to the inspection of the City, the District and the Owners of not less than ten percent (10%) of the principal amount of the Bonds and Additional Bonds then Outstanding, or their representatives duly authorized in writing.

**5.6 Protection of Security and Rights of Owners.** The District will preserve and protect the security of the Bonds and Additional Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the delivery of any of the Bonds and Additional Bonds by the District, the Bonds and Additional Bonds shall be incontestable by the District. In furtherance of the foregoing, the District shall not approve any reduction of the Assigned Special Taxes, as provided in the RMA which would prohibit the District from levying the Special Taxes in any Fiscal Year at a level that would generate Net Taxes at least equal to 110% of the annual debt service in that Fiscal Year for the Bonds and any Additional Bonds expected to be issued.

**5.7 Compliance with Law, Completion of Facilities.** The District and the City have complied with all applicable provisions of the Act and law in completing the acquisition and construction of the Facilities.

**5.8 Collection of Special Tax Revenues.** The District shall comply with all requirements of the Act so as to assure the timely collection of Special Tax Revenues, including without limitation, the enforcement of delinquent Special Taxes.



The Treasurer shall effect the levy of the Special Taxes each Fiscal Year on the parcels the District in accordance with the RMA, such that the computation of the levy is complete before the final date on which the Auditor will accept the transmission of the Special Tax amounts for the parcels within the District for inclusion on the next secured tax roll. Upon the completion of the computation of the amounts of the levy, the Treasurer shall prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the levy of the Special Taxes on the next secured tax roll. The Special Taxes so levied shall be payable and be collected in the same manner and at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property, unless otherwise provided by the District.

In the event that the Treasurer determines to levy all or a portion of the Special Taxes by means of direct billing of the property owners of the parcels within the District, the Treasurer shall, not less than forty-five (45) days prior to each Interest Payment Date, send bills to the owners of such real property located within the District subject to the levy of the Special Taxes for Special Taxes in an aggregate amount necessary to meet the financial obligations of the District due on the next Interest Payment Date, said bills to specify that the amounts so levied shall be due and payable not less than thirty (30) days prior to such Interest Payment Date and shall be delinquent if not paid when due.

In any event, the Treasurer shall fix and levy the amount of Special Taxes within the District required (i) for the payment of principal of and interest on any Outstanding Bonds and Additional Bonds of the District becoming due and payable during the ensuing year (taking into consideration anticipated delinquencies), and (ii) to pay the Administrative Expenses during such year, all in accordance with the RMA and the Ordinance. The Special Taxes so levied shall not exceed the authorized amounts as provided in the proceedings pursuant to the Resolution of Formation.

The Treasurer is hereby authorized to employ consultants to assist in computing the levy of the Special Taxes hereunder and any reconciliation of amounts levied to amounts received. The fees and expenses of such consultants and the costs and expenses of the Treasurer (including a charge for City or District staff time) in conducting its duties hereunder shall be an Administrative Expense hereunder.

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

**5.10 Tax Covenants.**

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“Code” means the Internal Revenue Code of 1986, as amended.

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Authority Bonds.

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and that is not acquired to carry out the governmental purposes of that series of Bonds.

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code, or section 103 of the 1954 Code, as applicable.

“*Yield*” of any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and of any issue of governmental obligations has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The District covenants that it shall not use, and shall not permit the use of, and shall not omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, could cause the interest on any Authority Bond to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Fiscal Agent receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion of the interest on any Authority Bond from the gross income of the owner thereof for federal income tax purposes, the City shall comply with each of the specific covenants in this Section.

(c) Private Use and Private Payments. Except as would not cause any Authority Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations, the District shall take all actions necessary to assure that the District or another public agency at all times prior to the final cancellation of the last of the Bonds to be retired:

(i) exclusively owns, operates and possesses all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds or Authority Bonds and not use or permit the use of such Gross Proceeds (including through any contractual arrangement with terms different than those applicable to the general public) or any property acquired, constructed or improved with

such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) does not directly or indirectly impose or accept any charge or other payment by any person or entity (other than a state or local government) who is treated as using any Gross Proceeds of the Authority Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds.

(d) No Private Loan. Except as would not cause any Authority Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall not use or permit the use of Gross Proceeds of the Authority Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause the Authority Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the District shall not (and shall not permit any person to), at any time prior to the final cancellation of the last Authority Bond to be retired, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the Bonds within the meaning of said section 148.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the District shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any Authority Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The District shall assist the Authority to timely file any information required by section 149(e) of the Code with respect to Authority Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations:

(i) The District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from

all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Authority Bond is discharged. However, to the extent permitted by law, the District may commingle (and may allow the City to commingle) Gross Proceeds of Bonds with its other moneys, provided that it separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The District shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Authority Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability pursuant to section 103(a) of the Code of the interest on the Authority Bonds from the gross income of the owners thereof for federal income tax purposes, the District shall pay or cause the Authority to pay to the United States the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of the Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the District at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the District and/or the Authority, as applicable.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the District shall not and shall not permit any person to, at any time prior to the final cancellation of the last of the Authority Bonds to be retired, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yields on the Authority Bonds not been relevant to either party.

(j) Bonds Not Hedge Bonds.

(i) The District represents that none of the Authority Bonds is or will cause the Authority Bonds to become a "hedge bond" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above: the District believes (upon appropriate investigation) (A) that on the date of issuance of the Authority Bonds the District reasonably expected that at least 85% of the spendable proceeds of the Authority Bonds will be expended within the three-year period commencing on such date of issuance, and (B) no more than 50% of the proceeds of the Authority Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) Elections. The District hereby directs and authorizes any Authorized Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Bonds and the Authority Bonds, in the Tax and Non-Arbitrage Certificate or similar or other appropriate certificate, form or document.

(l) Closing Certificate. The District agrees to assist the Authority to execute and deliver in connection with the issuance of the Authority Bonds, a Tax and Nonarbitrage Certificate, or similar document containing additional representations and covenants pertaining to the exclusion of interest on the Authority Bonds from the gross income of the owners thereof for federal income tax purposes, which representations and covenants are incorporated as though expressly set forth herein.

**5.11 Covenant to Foreclose.** The District will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than July 31 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Authority Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof.

The City Attorney is hereby authorized to employ counsel to conduct any such foreclosure proceedings. The fees and expenses of any such counsel and costs and expenses of the City Attorney (including a charge for City or District staff time) in conducting foreclosure proceedings shall be an Administrative Expense hereunder.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

(a) The City, on behalf of the District, or the Fiscal Agent, is hereby expressly authorized to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act, or such less amount as determined under clause (b) below or otherwise under Section 53356.6 of the Act.

(b) The District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act, if it determines that such sale is in the interest of the Bond Owners. The Bond

Owners, by their acceptance of the Bonds and Additional Bonds, hereby consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and hereby release the District and the City, and their respective officers and agents, from any liability in connection therewith.

(c) The District is hereby expressly authorized to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.

(d) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the Bonds and Additional Bonds under Section 3.4(b) hereof.

**5.12 Annual Reports to CDIAC.** Not later than October 30 of each year, commencing October 30, 2015 and until the October 30 following the final maturity of the Bonds and Additional Bonds, the Treasurer shall supply the information required by Section 53359.5(b) or (c) of the Act to CDIAC (on such forms as CDIAC may specify) and the District.

**5.13 Continuing Disclosure to Owners.** In addition to its obligations under Section 5.12, the District hereby covenants and agrees that it will carry out all of its obligations under the Continuing Disclosure Agreement relating to the Authority Bonds and any continuing disclosure agreement entered into with respect to any Additional Authority Bonds, if any. Notwithstanding any other provision of this Agreement, failure of the District to comply with the Continuing Disclosure Agreement(s) shall not be considered a default under the Indenture; however, any Participating Underwriter or any holder or beneficial owner of the Authority Bonds and Additional Authority Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.13, including seeking mandate or specific performance by court order.

**5.14 Reserve Account Replenishment.** The District hereby covenants that to the extent there is a draw upon the Reserve Account pursuant to the Authority Indenture or the Additional Authority Indenture as a result of a delinquency in the collection of Special Taxes or that the Reserve Account is underfunded, the District shall cause the Treasurer to effect the next annual levy of Special Taxes in an amount sufficient to replenish such delinquency in addition to those required by Section 5.8 hereof, and in addition to amounts that would be levied if there were no such delinquency; provided, however, the amount of Special Taxes levied shall not exceed the maximum permitted by the Ordinance and RMA. At any time the Fiscal Agent may transfer funds from the Delinquency Management Fund to the trustee under the Authority Indenture to fund a delinquency in the Reserve Account thereunder.

## **ARTICLE VI INVESTMENTS; DISPOSITION OF INVESTMENT PROCEEDS; LIABILITY OF THE DISTRICT**

**6.1 Deposit and Investment of Moneys in Funds.** Moneys in any fund or account created or established by this Agreement and held by the Fiscal Agent shall be invested by the Fiscal Agent in Permitted Investments, as directed pursuant to an Officer's Certificate filed with

the Fiscal Agent at least two (2) Business Days in advance of the making of such investments. In the absence of any such Officer's Certificate, the Fiscal Agent shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof to the extent practicable which by their terms mature prior to the date on which such moneys are required to be paid out hereunder, or are held uninvested. The Treasurer shall make note of any investment of funds hereunder in excess of the yield on the Bonds or Additional Bonds, as applicable, so that appropriate actions can be taken to assure compliance with Section 5.10 hereof.

Moneys in any fund or account created or established by this Agreement and held by the Treasurer shall be invested by the Treasurer in Permitted Investments, which in any event by their terms mature prior to the date on which such moneys are required to be paid out hereunder. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account, subject, however, to the requirements of this Agreement for transfer of interest earnings and profits resulting from investment of amounts in funds and accounts. Whenever in this Agreement any moneys are required to be transferred by the District to the Fiscal Agent, such transfer may be accomplished by transferring a like amount of Permitted Investments.

The Fiscal Agent or an affiliate or the Treasurer may act as principal or agent in the acquisition or disposition of any investment and shall be entitled to its customary fee therefor. Neither the Fiscal Agent nor the Treasurer shall incur any liability for losses arising from any investments made pursuant to this Section. For purposes of determining the amount on deposit in any fund or account held hereunder, all Permitted Investments or investments credited to such fund or account shall be valued at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Except as otherwise provided in the next sentence, all investments of amounts deposited in any fund, or account created by or pursuant to this Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Code) at Fair Market Value. Notwithstanding the previous sentence, investments in funds or accounts (or portions thereof) that are subject to a yield restriction under the applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Fiscal Agent shall not be liable for verification of the application of such sections of the Code.

Investments in any and all funds and accounts may be commingled in a separate fund or funds for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in or to the credit of particular funds or accounts of amounts received or held by the Fiscal Agent or the Treasurer hereunder, provided that the Fiscal Agent or the Treasurer, as applicable, shall at all times account for such investments strictly in accordance with the funds and accounts to which they are credited and otherwise as provided in this Agreement.

The Fiscal Agent or the Treasurer, as applicable, shall sell at the highest price reasonably obtainable, or present for redemption, any investment security whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement

from the fund or account to which such investment security is credited and neither the Fiscal Agent nor the Treasurer shall be liable or responsible for any loss resulting from the acquisition or disposition of such investment security in accordance herewith.

**6.2 Limited Obligation.** The District's obligations hereunder are limited obligations of the District and are payable solely from and secured solely by the Special Tax Revenues and the amounts in the Special Tax Fund and the Bond Fund.

**6.3 Liability of District.** The District shall not incur any responsibility in respect of the Bonds and Additional Bonds or this Agreement other than in connection with the duties or obligations explicitly herein or in the Bonds and Additional Bonds assigned to or imposed upon it. The District shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The District shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the Fiscal Agent herein or of any of the documents executed by the Fiscal Agent in connection with the Bonds and Additional Bonds, or as to the existence of a default or event of default thereunder.

In the absence of bad faith, the District, including the Treasurer, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the District and conforming to the requirements of this Agreement. The District, including the Treasurer, shall not be liable for any error of judgment made in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts.

No provision of this Agreement shall require the City or District to expend or risk its own general funds or otherwise incur any financial liability (other than with respect to the Special Tax Revenues) in the performance of any of its obligations hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The District may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The District may consult with counsel, who may be the City Attorney, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The District shall not be bound to recognize any person as the Owner of a Bond or Additional Bond unless and until such Bond or Additional Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the District shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the District, be



deemed to be conclusively proved and established by a certificate of the Fiscal Agent, and such certificate shall be full warranty to the District for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the District may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

**6.4 Employment of Agents by District or the City.** In order to perform their respective duties and obligations hereunder, the City, the District and/or the Treasurer may employ such persons or entities as they deem necessary or advisable. The City, the District and/or the Treasurer shall not be liable for any of the acts or omissions of such persons or entities employed by them in good faith hereunder, and shall be entitled to rely, and shall be fully protected in doing so, upon the opinions, calculations, determinations and directions of such persons or entities.

## **ARTICLE VII EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS**

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

(a) Failure to pay any installment of principal of any Bonds and Additional Bonds when and as the same shall become due and payable whether at maturity as therein expressed, by proceedings for redemption or otherwise.

(b) Failure to pay any installment of interest on any Bonds and Additional Bonds when and as the same shall become due and payable.

(c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part in this Agreement or in the Bonds and Additional Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Fiscal Agent or the Owners of not less than 25% in aggregate principal amount of the Bonds and Additional Bonds at the time Outstanding; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such 60 day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

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

(e) Default under a Supplemental Agreement securing the issuance of Additional Bonds, if any.

**7.2 Remedies of Bond Owners.** Subject to the provisions of Section 7.8, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

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

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

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

**7.3 Application of Special Taxes and Other Funds After Default.** If an Event of Default shall occur and be continuing, all Special Taxes, including any penalties, costs, fees and other charges accruing under, the Act, and any other funds then held or thereafter received by the Fiscal Agent under any of the provisions of this Agreement shall be applied by the Fiscal Agent as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Fiscal Agent to protect the interest of the Owners of the Bonds and Additional Bonds, and payment of reasonable fees, charges and expenses of the Fiscal Agent (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Agreement;

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

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

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

(c) Any remaining funds shall be transferred by the Fiscal Agent to the Bond Fund.

**7.4 Absolute Obligation of the District.** No provision of this Agreement or in the Bonds and Additional Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Bonds and Additional Bonds to the respective Owners of the Bonds and Additional Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Special Taxes and other moneys herein pledged therefor and received by the District or the Fiscal Agent, or affect or impair, the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds and Additional Bonds.

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

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

**7.7 No Waiver of Default.** No delay or omission of any Owner of the Bonds and Additional Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein; and every power and remedy given by this Agreement to the Owners of the Bonds and Additional Bonds may be exercised from time to time and as often as may be deemed expedient.

**7.8 Actions by Fiscal Agent as Attorney-in-Fact.** Any suit, action or proceeding which any Owner shall have the right to bring to enforce any right or remedy hereunder may be brought by the Fiscal Agent for the equal benefit and protection of all Owners, and the Fiscal Agent is hereby appointed (and the successive respective Owners of the Bonds and Additional Bonds, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the Owners as a class or classes, as may be necessary or advisable in the opinion of the Fiscal Agent as such attorney-in-fact.

## **ARTICLE VIII THE FISCAL AGENT**

**8.1 Appointment of Fiscal Agent.** U.S. Bank National Association is hereby appointed Fiscal Agent and paying agent for the Bonds and Additional Bonds. The Fiscal Agent undertakes to perform such duties, and only such duties, as are specifically set forth in this

Agreement, and no implied covenants or obligations shall be read into this Agreement against the Fiscal Agent.

Any company into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the following paragraph of this Section, shall be the successor to such Fiscal Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

So long as there is no Event of Default hereunder, the District may remove the Fiscal Agent initially appointed, and any successor thereto, and may appoint a successor or successors thereto, but any such successor shall be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 8.1, combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Fiscal Agent may at any time resign by giving written notice to the District and by giving to the Owners notice by mail of such resignation. Upon receiving notice of such resignation, the District shall promptly appoint a successor Fiscal Agent by an instrument in writing. Any resignation or removal of the Fiscal Agent shall become effective upon acceptance of appointment by the successor Fiscal Agent.

If no appointment of a successor Fiscal Agent shall be made pursuant to the foregoing provisions of this Section 8.1 within forty-five (45) days after the Fiscal Agent shall have given to the District written notice or after a vacancy in the office of the Fiscal Agent shall have occurred by reason of its inability to act, the Fiscal Agent or any Bond Owner may apply to any court of competent jurisdiction to appoint a successor Fiscal Agent. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Fiscal Agent.

If, by reason of the judgment of any court, the Fiscal Agent is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Fiscal Agent hereunder shall be assumed by and vest in the Treasurer of the City in trust for the benefit of the Owners. The District covenants for the direct benefit of the Owners that the Treasurer in such case shall be vested with all of the rights and powers of the Fiscal Agent hereunder, and shall assume all of the responsibilities and perform all of the duties of the Fiscal Agent hereunder, in trust for the benefit of the Owners of the Bonds and Additional Bonds.

**8.2 Liability of Fiscal Agent.** The recitals of facts, covenants and agreements herein and in the Bonds and Additional Bonds contained shall be taken as statements, covenants and agreements of the District, and the Fiscal Agent assumes no responsibility for the correctness of

the same, nor makes any representations as to the validity or sufficiency of this Agreement or of the Bonds and Additional Bonds, nor shall it incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds and Additional Bonds assigned to or imposed upon it. The Fiscal Agent shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful default. The Fiscal Agent assumes no responsibility or liability for any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds and Additional Bonds.

In the absence of bad faith, the Fiscal Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Fiscal Agent and conforming to the procedural requirements of this Agreement; but in the case of any such certificates or opinions by which any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform to the procedural requirements of this Agreement. Except as provided above in this paragraph, the Fiscal Agent shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent or waiver, certificate, statement, affidavit, or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper person or to have been prepared and furnished pursuant to any provision of this Agreement, and the Fiscal Agent shall not be under any duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument.

The Fiscal Agent shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements of the City or the District herein or of any of the documents executed by the City or the District in connection with the Bonds and Additional Bonds, or as to the existence of a default or event of default thereunder.

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

No provision of this Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement unless such Owners shall have offered to the Fiscal Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

The Fiscal Agent may become the owner of the Bonds and Additional Bonds with the same rights it would have if it were not the Fiscal Agent.

All indemnifications and releases from liability granted to the Fiscal Agent hereunder shall extend to the directors, officers and employees of the Fiscal Agent.

**8.3 Information.** The Fiscal Agent shall provide to the District such information relating to the Bonds and Additional Bonds and the funds and accounts maintained by the Fiscal Agent hereunder as the District shall reasonably request, including but not limited to quarterly statements reporting funds held and transactions by the Fiscal Agent.

**8.4 Notice to Fiscal Agent.** The Fiscal Agent may rely and shall be protected in acting or refraining from acting upon any notice, resolution, request, consent, order, certificate, report, warrant, Bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or proper parties. The Fiscal Agent may consult with counsel, who may be counsel to the District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Fiscal Agent shall not be bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its duties under this Agreement the Fiscal Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of willful misconduct on the part of the Fiscal Agent, be deemed to be conclusively proved and established by a certificate of the District, and such certificate shall be full warrant to the Fiscal Agent for any action taken or suffered under the provisions of this Agreement or any Supplemental Agreement upon the faith thereof, but in its discretion the Fiscal Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

**8.5 Compensation, Indemnification.** The District shall pay to the Fiscal Agent from time to time reasonable compensation for all services rendered as Fiscal Agent under this Agreement, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Agreement, but the Fiscal Agent shall not have a lien therefor on any funds at any time held by it under this Agreement. The District further agrees, to the extent permitted by applicable law, to indemnify and save the Fiscal Agent, its officers, employees, directors and agents harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder which are not due to its negligence or willful misconduct. The obligation of the District under this Section shall survive resignation or removal of the Fiscal Agent under this Agreement and payment of the Bonds and Additional Bonds and discharge of this Agreement, but any monetary obligation of the District arising under this Section shall be limited solely to amounts on deposit in the Administrative Expense Fund.

**ARTICLE IX**  
**MODIFICATION OR AMENDMENT OF THIS AGREEMENT**

**9.1 Amendments Permitted.** This Agreement and the rights and obligations of the District and of the Owners of the Bonds and Additional Bonds may be modified or amended at any time by a Supplemental Agreement pursuant to the affirmative vote, at a meeting of Owners, or with the written consent without a meeting, of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds and Additional Bonds then Outstanding, exclusive of Bonds and Additional Bonds disqualified as provided in Section 9.4. No such modification or amendment shall (i) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal of, and the interest and any premium on, any Bond, without the express consent of the Owner of such Bond, or (ii) permit the creation by the District of any pledge or lien upon the Special Taxes superior to or on a parity with the pledge and lien created for the benefit of the Bonds and Additional Bonds (except as otherwise permitted by the Act, the laws of the State of California or this Agreement), or (iii) reduce the percentage of Bonds and Additional Bonds required for the amendment hereof. Any such amendment may not modify any of the rights or obligations of the Fiscal Agent without its written consent.

This Agreement and the rights and obligations of the District and of the Owners may also be modified or amended at any time by a Supplemental Agreement, without the consent of any Owners, only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the District in this Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any right or power herein reserved to or conferred upon the District;

(b) to make modifications not adversely affecting any Outstanding Bonds and Additional Bonds of the District in any material respect;

(c) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission of curing, correcting or supplementing any defective provision contained in this Agreement, or in regard to questions arising under this Agreement, as the District and the Fiscal Agent may deem necessary or desirable and not inconsistent with this Agreement, and which shall not adversely affect the rights of the Owners of the Bonds and Additional Bonds in any material respect;

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure the exclusion from gross income for federal income tax purposes of interest on the Authority Bonds, as applicable; or

(e) to provide for the issuance of Additional Bonds in accordance with the provisions of this Agreement.

**9.2 Owners' Meetings.** The District may at any time call a meeting of the Owners. In such event the District is authorized to fix the time and place of said meeting and to provide

for the giving of notice thereof, and to fix and adopt rules and regulations for the conduct of said meeting.

**9.3 Procedure for Amendment with Written Consent of Owners.** The District and the Fiscal Agent may at any time adopt a Supplemental Agreement amending the provisions of the Bonds and Additional Bonds or of this Agreement or any Supplemental Agreement, to the extent that such amendment is permitted by Section 9.1, to take effect when and as provided in this Section. A copy of such Supplemental Agreement, together with a request to Owners for their consent thereto, shall be mailed by first class mail by the Fiscal Agent to each Owner of Bonds and Additional Bonds Outstanding, but failure to mail copies of such Supplemental Agreement and request shall not affect the validity of the Supplemental Agreement when assented to as in this Section provided.

Such Supplemental Agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds and Additional Bonds then Outstanding (exclusive of Bonds and Additional Bonds disqualified as provided in Section 9.4) and a notice shall have been mailed as hereinafter in this Section provided. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds and Additional Bonds for which such consent is given, which proof shall be such as is permitted by Section 10.4. Any such consent shall be binding upon the Owner of the Bonds and Additional Bonds giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal Agent prior to the date when the notice hereinafter in this Section provided for has been mailed.

After the Owners of the required percentage of Bonds and Additional Bonds shall have filed their consents to the Supplemental Agreement, the District shall mail a notice to the Owners in the manner hereinbefore provided in this Section for the mailing of the Supplemental Agreement, stating in substance that the Supplemental Agreement has been consented to by the Owners of the required percentage of Bonds and Additional Bonds and will be effective as provided in this Section (but failure to mail copies of said notice shall not affect the validity of the Supplemental Agreement or consents thereto). Proof of the mailing of such notice shall be filed with the Fiscal Agent. A record, consisting of the papers required by this Section 9.3 to be filed with the Fiscal Agent, shall be proof of the matters therein stated until the contrary is proved. The Supplemental Agreement shall become effective upon the filing with the Fiscal Agent of the proof of mailing of such notice, and the Supplemental Agreement shall be deemed conclusively binding (except as otherwise hereinabove specifically provided in this Article) upon the District and the Owners of all Bonds and Additional Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty-day period.

**9.4 Disqualified Bonds and Additional Bonds.** Bonds and Additional Bonds owned or held for the account of the City or the District, excepting any pension or retirement fund, shall not be deemed Outstanding for the purpose of any vote, consent or other action or any



calculation of Outstanding Bonds and Additional Bonds provided for in this Article IX, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Article IX.

**9.5 Effect of Supplemental Agreement.** From and after the time any Supplemental Agreement becomes effective pursuant to this Article IX, this Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations under this Agreement of the District and all Owners of Bonds and Additional Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such Supplemental Agreement shall be deemed to be part of the terms and conditions of this Agreement for any and all purposes.

**9.6 Endorsement or Replacement of Bonds and Additional Bonds Issued After Amendments.** The District may determine that Bonds and Additional Bonds issued and delivered after the effective date of any action taken as provided in this Article IX shall bear a notation, by endorsement or otherwise, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Bond or Additional Bond Outstanding at such effective date and presentation of his Bond or Additional Bond for that purpose at the Corporate Trust Office of the Fiscal Agent or at such other office as the District may select and designate for that purpose, a suitable notation shall be made on such Bond or Additional Bond. The District may determine that new Bonds and Additional Bonds, so modified as in the opinion of the District is necessary to conform to such Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bonds and Additional Bonds then Outstanding, such new Bonds and Additional Bonds shall be exchanged at the Corporate Trust Office of the Fiscal Agent without cost to any Owner, for Bonds and Additional Bonds then Outstanding, upon surrender of such Bonds and Additional Bonds.

**9.7 Amendatory Endorsement of Bonds and Additional Bonds.** The provisions of this Article IX shall not prevent any Owner from accepting any amendment as to the particular Bonds and Additional Bonds held by him, provided that due notation thereof is made on such Bonds and Additional Bonds.

**9.8 Opinion of Bond Counsel.** In connection with any Supplemental Agreement, the Fiscal Agent shall be entitled to receive an opinion of Bond Counsel that any such Supplemental Agreement is authorized or permitted by this Agreement and the Fiscal Agent may conclusively rely upon such opinion.

## ARTICLE X MISCELLANEOUS

**10.1 Benefits of Agreement Limited to Parties.** Nothing in this Agreement, expressed or implied, is intended to give to any person other than the District, City, the Fiscal Agent and the Owners, any right, remedy, claim under or by reason of this Agreement. Any covenants, stipulations, promises or agreements in this Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the Owners and the Fiscal Agent.

**10.2 Successor is Deemed Included in All References to Predecessor.** Whenever in this Agreement or any Supplemental Agreement either the District or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the District or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**10.3 Discharge of Agreement.** The District shall have the option to pay and discharge the entire indebtedness on all or any portion of the Bonds and Additional Bonds Outstanding in any one or more of the following ways:

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

(b) by depositing with the Fiscal Agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in this Agreement is fully sufficient to pay such Bonds and Additional Bonds Outstanding, including all principal, interest and redemption premiums;

(c) by irrevocably depositing with the Fiscal Agent, in trust, cash and Federal Securities and/or investments described in clause (i) of the definition of Permitted Investments in such amount as the District shall determine as confirmed by Bond Counsel or an independent certified public accountant will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts established with the Fiscal Agent pursuant to this Agreement, be fully sufficient to pay and discharge the indebtedness on such Bonds and Additional Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; or,

(d) by delivering to the Fiscal Agent for cancellation the Bonds outstanding; provided, however, the Authority Bonds have been discharged or the cancellation will not adversely affect any security for the Authority Bonds.

If the District shall have taken any of the actions specified in (a), (b), (c), or (d) above, and if such Bonds and Additional Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been given as in this Agreement provided or provision satisfactory to the Fiscal Agent shall have been made for the giving of such notice, then, at the election of the District, and notwithstanding that any Bonds and Additional Bonds shall not have been surrendered for payment, the pledge of the Special Taxes and other funds provided for in this Agreement and all other obligations of the District under this Agreement with respect to such Bonds and Additional Bonds Outstanding shall cease and terminate. Notice of such election shall be filed with the Fiscal Agent. Notwithstanding the foregoing, the obligation of the District to pay or cause to be paid to the Owners of the Bonds and Additional Bonds not so surrendered and paid all sums due thereon and all amounts owing to the Fiscal Agent pursuant to Section 8.5, and otherwise to assure that no action is taken or failed to be taken if such action or failure adversely affects the exclusion of interest on the Bonds or Additional Bonds, as applicable, from gross income for federal income tax purposes, shall continue in any event.

Upon compliance by the District with the foregoing with respect to all Bonds and Additional Bonds Outstanding, any funds held by the Fiscal Agent after payment of all fees and expenses of the Fiscal Agent, which are not required for the purposes of the preceding paragraph, shall be paid over to the District and any Special Taxes thereafter received by the District shall not be remitted to the Fiscal Agent but shall be retained by the District to be used for any purpose permitted under the Act.

**10.4 Execution of Documents and Proof of Ownership by Owners.** Any request, declaration or other instrument which this Agreement may require or permit to be executed by Owners may be in one or more instruments of similar tenor, and shall be executed by Owners in person or by their attorneys appointed in writing.

Except as otherwise herein expressly provided, the fact and date of the execution by any Owner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

Except as otherwise herein expressly provided, the ownership of registered Bonds or Additional Bonds and the amount, maturity, number and date of holding the same shall be proved by the registry books.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond or Additional Bond in respect of anything done or suffered to be done by the District or the Fiscal Agent in good faith and in accordance therewith.

**10.5 Waiver of Personal Liability.** No member, officer, agent or employee of the District or the City shall be individually or personally liable for the payment of the principal of, or interest or any premium on, the Bonds and Additional Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

**10.6 Notices to and Demands on District and Fiscal Agent.** Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the Fiscal Agent to or on the District may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the District with the Fiscal Agent), or by facsimile or other form of electronic communication as follows:

Community Facilities District No. 2006-2 (Monument Park Estates)  
of the City of Perris  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attn: City Manager

Tel: (951) 943-6100  
Fax: (951) 943-4246

Any notice or demand which by any provision of this Agreement is required or permitted to be given or served by the District to or on the Fiscal Agent may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Fiscal Agent with the District) as follows:

U.S. Bank National Association  
Global Corporate Trust Services  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attn: Ilse Vlach  
Tel: 213/615-6062  
Fax: 213/615-6199

**10.7 Partial Invalidity.** If any Section, paragraph, sentence, clause or phrase of this Agreement shall for any reason be held illegal or unenforceable, such holding shall not affect the validity of the remaining portions of this Agreement. The District hereby declares that it would have adopted this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds and Additional Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Agreement may be held illegal, invalid or unenforceable.

**10.8 Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any moneys held by the Fiscal Agent in trust for the payment and discharge of the principal of, and the interest and any premium on, the Bonds and Additional Bonds which remains unclaimed for two (2) years after the date when the payments of such principal, interest and premium have become payable, if such money was held by the Fiscal Agent at such date, shall be repaid by the Fiscal Agent to the District as its absolute property free from any trust, and the Fiscal Agent shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of the principal of, and interest and any premium on, such Bonds and Additional Bonds.

**10.9 Applicable Law.** This Agreement shall be governed by and enforced in accordance with the laws of the State of California applicable to contracts made and performed in the State of California.

**10.10 Conflict with Act.** In the event of a conflict between any provision of this Agreement with any provision of the Act as in effect on the Closing Date, the provision of the Act shall prevail over the conflicting provision of this Agreement.

**10.11 Conclusive Evidence of Regularity.** Bonds and Additional Bonds issued pursuant to this Agreement shall constitute conclusive evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Special Taxes.

**10.12 Payment on Business Day.** In any case where the date of the maturity of interest or of principal (and premium, if any) of the Bonds and Additional Bonds or the date fixed for

redemption of any Bonds and Additional Bonds or the date any action is to be taken pursuant to this Agreement is other than a Business Day, the payment of interest or principal (and premium, if any) or the action need not be made on such date but may be made on the next succeeding day which is a Business Day with the same force and effect as if made on the date required and no interest shall accrue for the period from and after such date.

**10.13 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the District has caused this Agreement to be executed in its name and the Fiscal Agent has caused this Agreement to be executed in its name, all as of the date first above written.

COMMUNITY FACILITIES DISTRICT NO.  
2006-2 (MONUMENT PARK ESTATES) OF THE  
CITY OF PERRIS,

By: \_\_\_\_\_  
Mayor

ATTEST:

By: \_\_\_\_\_  
City Clerk

U.S. BANK NATIONAL ASSOCIATION, as  
Fiscal Agent

By: \_\_\_\_\_  
Authorized Officer

[SIGNATURE PAGE TO FISCAL AGENT AGREEMENT]

**EXHIBIT A**

**FORM OF BOND**

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF RIVERSIDE  
COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES)  
OF THE CITY OF PERRIS  
SPECIAL TAX BONDS, 2015 SERIES

**INTEREST RATE      MATURITY DATE      DATED DATE**

REGISTERED OWNER:      U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE FOR  
THE PERRIS JOINT POWERS AUTHORITY

**PRINCIPAL AMOUNT:**

The Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the "District"), for value received, hereby promises to pay solely from the Special Tax (as hereinafter defined) to be collected within the District or amounts in the funds and accounts held under the Agreement (as hereinafter defined), to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest on such principal amount from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date (as hereinafter defined) and on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest with respect thereto will be payable from such Interest Payment Date; (b) it is authenticated on or before **February 15, 2015** in which event interest with respect thereto will be payable from its Dated Date; or (c) interest with respect to any Outstanding Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2015 (each an "Interest Payment Date"), at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. The principal of this Bond is payable to the registered owner hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the Corporate Trust Office of U.S. Bank National Association (the "Fiscal Agent"). Interest on this Bond shall be paid by check of the Fiscal Agent mailed on each Interest Payment Date to the registered owner hereof as of the close of business on the fifteenth day of the month preceding the month in which the interest payment date occurs (the "Record Date") at such registered owner's address as it appears on the registration books maintained by the Fiscal Agent.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of \$ \_\_\_\_\_ approved by the legislative body of the District on March 31, 2015, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 *et seq.*, of the California Government Code (the “Mello-Roos Act”) for the purpose of financing the acquisition of certain facilities (the “Project”), and is one of the Bonds designated “Community Facilities District No. 2006-2 (Monument Park Estates ) of the City of Perris Special Tax Bonds, 2015 Series” (the “Bonds”). The creation of the Bonds and the terms and conditions thereof are provided for by the Fiscal Agent Agreement, dated as of April 1, 2015 (the “Agreement”), by and between the District and the Fiscal Agent and this reference incorporates the Agreement herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The District may not issue additional bonds on a parity with the Bonds.

Pursuant to the Mello-Roos Act and the Agreement, the principal of and interest on this Bond are payable solely from the annual special tax authorized under the Mello-Roos Act to be collected within the District (the “Special Tax”) and certain funds held under the Agreement.

Any tax for the payment hereof shall be limited to the Special Tax, except to the extent that provision for payment has been made by the City of Perris (the “City”), as may be permitted by law. The Bonds do not constitute obligations of the City, which the City is obligated to levy or pledge, or has levied or pledged, general or special taxation other than described hereinabove. The District has covenanted for the benefit of the owners of the Bonds that it will order, and cause to be commenced as provided in the Agreement, and thereafter diligently prosecute to judgment, an action in the superior court to foreclose, under the circumstances set forth in the Agreement, the lien of any Special Tax or installment thereof not paid when due.

The Bonds are subject to redemption prior to maturity at the option of the District from any source of funds, as a whole or in part, on any date on or after September 1, 2025, as selected by the District, at the redemption prices and schedules applicable to the Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2), 2015 Series B (“Authority Bonds”). Notwithstanding anything to the contrary, with respect to optional redemptions related to the Authority Bonds, the District shall abide by the priority of redemption relating to the Authority Bonds permitted by the Indenture, dated as of April 1, 2015, relating to the Authority Bonds.

The Bonds shall also be subject to mandatory redemption on any date on or after September 1, 2015, in whole or in part as selected by the District, from amounts constituting prepayments of Special Taxes, from amounts transferred from the Delinquency Management Fund hereunder and from amounts transferred by the Authority to the District from the Cash Flow Management Fund under the Authority Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the redemption date:

<u>Redemption Periods</u>	<u>Redemption Price</u>
September 1, 2015 through August 31, 2025	102.0%
September 1, 2025 and thereafter	100.0%



The Bonds are not subject to Mandatory Sinking Payment Redemption.

Notice of redemption with respect to the Bonds to be redeemed shall be given to the registered owners thereof, in the manner, to the extent and subject to the provisions of the Agreement.

This Bond shall be registered in the name of the owner hereof, as to both principal and interest.

Each registration and transfer of registration of this Bond shall be entered by the Fiscal Agent in books kept by it for this purpose and authenticated by its manual signature upon the certificate of authentication endorsed hereon.

Except as provided in the Agreement, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Agreement by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly written instrument of transfer in a form approved by the Fiscal Agent. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such transfer shall be paid by the District. The Fiscal Agent shall collect from the Owner requesting such transfer any tax or other governmental charge required to be paid with respect to such transfer.

Whenever any Bond or Bonds shall be surrendered or transferred, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, for like aggregate principal amount.

No transfers of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

Bonds may be exchanged at the Corporate Trust Office of the Fiscal Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The cost for any services rendered or any expenses incurred by the Fiscal Agent in connection with any such exchange shall be paid by the District. The Fiscal Agent shall collect from the owner of such Bond or Bonds requesting such exchange any tax or other governmental charge required to be paid with respect to such exchange.

No exchanges of Bonds shall be required to be made (i) fifteen (15) days prior to the date established by the Fiscal Agent for selection of Bonds for redemption, (ii) with respect to a Bond after such Bond has been selected for redemption, or (iii) between the 15th day of the month next preceding any Interest Payment Date and such Interest Payment Date.

The Agreement and the rights and obligations of the District thereunder may be modified or amended as set forth therein.

This Bond shall not become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been dated and signed by the Fiscal Agent.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond have existed, happened and been performed in due time, form and manner as required by law, and that the amount of this Bond does not exceed any debt limit prescribed by the laws or Constitution of the State of California.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the City of Perris on behalf of Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris has caused this Bond to be dated as of the date first above written and to be signed by the manual signature of its Mayor and countersigned by the manual signature of the City Clerk.

CITY OF PERRIS

BY: \_\_\_\_\_  
Mayor

BY: \_\_\_\_\_  
City Clerk

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION**

This is one of the Bonds described in the Resolution and the Agreement which has been authenticated on \_\_\_\_\_, \_\_\_\_\_.

Dated: \_\_\_\_\_, 2015

U.S. BANK NATIONAL ASSOCIATION, as  
Fiscal Agent

BY: \_\_\_\_\_  
Authorized Officer

**ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto

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(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney, to transfer the same on the registration books of the Fiscal Agent, with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTE: The signature(s) on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

NOTE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

**COMMITMENT AGREEMENT AND PURCHASE CONTRACT  
FOR PURCHASE AND SALE OF LOCAL OBLIGATION BONDS**

**by and between the**

**Perris Joint Powers Authority**

**and**

**Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris**

**Relating to**

**\$ \_\_\_\_\_  
Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
Special Tax Bonds, 2015 Series**

THIS COMMITMENT AGREEMENT AND PURCHASE CONTRACT (this “Purchase Contract”), dated April \_\_\_\_, 2015, is by and between the PERRIS JOINT POWERS AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the “Authority”), and COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES) OF THE CITY OF PERRIS a community facilities district duly organized and existing under the laws of the State of California.

**WITNESSETH:**

*WHEREAS*, pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Act”), the Housing Authority of the City of Perris (the “Agency”) and the City of Perris (the “City”) have by Joint Exercise of Powers Agreement, dated March 26, 2013 (the “Agreement”), created the Authority for the purposes, among other things, of assisting the City, the Agency and any associate member in the financing and refinancing of public capital improvements pursuant to the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584) (the “Bond Law”); and

*WHEREAS*, the City Council (the “City Council”) of the City of Perris (the “City”), located in Riverside County, California (hereinafter sometimes referred to as the “legislative body of the District”) has, pursuant to its Resolution No. 3919 (the “Resolution of Formation”) adopted on February 27, 2007 heretofore undertaken proceedings and declared the necessity of Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the “District”) to issue bonds pursuant to the terms and provisions of the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California (the “Act”); and

*WHEREAS*, pursuant to its Resolution of Formation, Resolution No. 3920, and Resolution No. 3921 (collectively the “Resolutions”), adopted by the legislative body of the District on February 27, 2007, a certain bond proposition was submitted to the qualified electors within the District, and was approved by more than two-thirds of the votes cast at the election held on February 27, 2007, in addition to the levy of a special tax (the “Special Tax”) in accordance with a rate and method of apportionment (the “RMA”); and

*WHEREAS*, based upon the Resolutions adopted by the legislative body of the District and the election, the District is authorized to issue bonds, pursuant to the Act, in an aggregate principal amount not to exceed \$16,000,000 on behalf of the District; and

*WHEREAS*, the District has determined that it is in the best interest of the District to finance public infrastructure and capital fees related to the District, and has issued the following bonds (the “Local Obligation Bonds”) in the initial principal amount of \$\_\_\_\_\_ Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris Special Tax Bonds, 2015 Series, pursuant to the terms of a Fiscal Agent Agreement, dated as of April 1, 2015, by

and between the District and U.S. Bank National Association as Fiscal Agent (the “Fiscal Agent”); and

*WHEREAS*, in accordance with Government Code Section 53360.4, the legislative body of the District may sell the Local Obligation Bonds to the Authority; and

*WHEREAS*, the Authority, for the purpose of acquiring the Local Obligation Bonds has determined to issue its \$ \_\_\_\_\_ Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2 ), 2015 Series B (the “Authority Bonds”), pursuant to an Indenture of Trust, dated as of April 1, 2015 by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”);

*WHEREAS*, a portion of the proceeds of the Authority Bonds will be used to purchase the Local Obligation Bonds; and

*WHEREAS*, the Authority and the District desire to enter into this Purchase Contract providing for the purchase and sale of the Local Obligation Bonds and containing the other agreements herein set forth.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Authority and the District agree as follows:

1. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the District hereby sells to the Authority, and the Authority hereby purchases from the District all of the aggregate principal amount of the Local Obligation Bonds, such Local Obligation Bonds to bear the annual interest rates and to be sold to the Authority at the purchase price set forth in Exhibit A attached hereto and hereby made a part hereof, plus accrued interest, if any, from the date of the Local Obligation Bonds to the date of delivery of the Local Obligation Bonds to the Authority (the “Closing Date”).
2. The District hereby specifies June 2, 2015 (or as soon thereafter as shall be feasible), as the Closing Date and the District hereby confirms that it reasonably expects to deliver the Local Obligation Bonds to the Authority on such date.
3. The Authority agrees that U.S. Bank National Association will act as Fiscal Agent for the Local Obligation Bonds under and as further provided in the Fiscal Agent Agreement, dated as of April 1, 2015, by and between the District and such Fiscal Agent relating to the District, (the “Fiscal Agent Agreement”).
4. The Local Obligation Bonds shall be issued and secured under the provisions of Resolution No. \_\_\_\_\_ of the City of Perris, authorizing the issuance of the Local Obligation Bonds, adopted by the City Council of the City, acting as the legislative body of the District, on March 31, 2015 (the “Resolution”), and related proceedings authorizing the issuance of the Local Obligation Bonds, including, without limitation, the Fiscal Agent Agreement (collectively, the “Proceedings”). The Local Obligation Bonds of the District, and interest thereon, will be payable from special taxes to be levied within the District. Proceeds of the sale of the Local Obligation Bonds will be used by the District in accordance with the Proceedings.



5. Any action under this Purchase Contract taken by the Authority, including payment for and acceptance of the Local Obligation Bonds, and delivery and execution of any receipt for the Local Obligation Bonds and any other instruments in connection with the closing on the Closing Date, shall be valid and sufficient for all purposes and binding upon the Authority, provided that any such action shall not impose any obligation or liability upon the Authority other than as may arise as expressly set forth in this Purchase Contract.

6. It is a condition to the District's sale of the Local Obligation Bonds and the obligation of the District to deliver the Local Obligation Bonds to the Authority, and to the Authority's purchase of the Local Obligation Bonds and the obligations of the Authority to accept delivery of and to pay for the Local Obligation Bonds, that the entire aggregate principal amount of the Local Obligation Bonds of \$ \_\_\_\_\_ shall be delivered by the District, and accepted and paid for by the Authority, on the Closing Date. The Authority will pay for the Local Obligation Bonds with the proceeds of the Authority Bonds.

7. The District represents and warrants to the Authority that:

(a) The District is an entity duly organized and validly existing under the laws of the State of California, and has, and on the Closing Date will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to adopt or enter into the Proceedings relating to the Local Obligation Bonds, (iii) to issue, sell and deliver the Local Obligation Bonds to the Authority as provided herein and in the Fiscal Agent Agreement, and (iv) to carry out and consummate the transactions on its part contemplated by this Purchase Contract, the Proceedings and the Fiscal Agent Agreement;

(b) The District has complied, and will on the Closing Date be in compliance in all respects, with the Proceedings;

(c) By official action of the District prior to or concurrently with the acceptance hereof, the District has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the District of the District's obligations contained in, the Fiscal Agent Agreement, the Local Obligation Bonds, this Purchase Contract and the other Proceedings, and the consummation by the District of all other transactions on its part contemplated by the Proceedings, including, without limitation, the application of special taxes within the District to the payment of the Local Obligation Bonds;

(d) The execution and delivery of this Purchase Contract and the Local Obligation Bonds, the adoption of the Resolution and the adoption or entering into of the other Proceedings, including, without limitation, the Fiscal Agent Agreement, and compliance with the provisions of each thereof will not conflict with or constitute a breach of or a default under any applicable law or administrative regulation of the State of California or the United States of America, or any applicable judgment, decree, agreement or other instrument to which the District is a party or is otherwise subject;

(e) There is no action, suit, proceeding or investigation before or by any court, public board or body pending or, to the knowledge of the District, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the District or the titles of its members and officers to their respective offices, (ii) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the levy and

receipt of the special taxes, or the pledge thereof under the Fiscal Agent Agreement, (iii) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to the moneys pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds, (iv) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds, the Fiscal Agent Agreement or the other Proceedings, or (v) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement, or any other agreement or instrument to which the District is a party relating to the Local Obligation Bonds;

(f) The issuance and sale of the Local Obligation Bonds is not subject to any transfer or other documentary stamp taxes of the State of California or any political subdivision thereof;

(g) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon;

(h) Any certificate signed by any official of the District authorized to do so and delivered to the Authority shall be deemed a representation and warranty by the District to the Authority as to the statements made therein; and

(i) The District will apply the proceeds of the Local Obligation Bonds, including the investment thereof, in accordance with the Fiscal Agent Agreement and the other Proceedings.

8. At 8:00 a.m., Los Angeles Time, on the Closing Date, or at such other time or on such other date as is mutually agreed by the District and the Authority, the District will deliver the Local Obligation Bonds to the Authority in definitive form, duly executed, together with the other documents hereinafter mentioned, and, subject to the terms and conditions hereof, the Authority will accept such delivery and pay or cause to be paid the purchase price of the Local Obligation Bonds as referenced in paragraph 1 hereof by certified or bank cashier's check or wire transfer or other funds which are good funds on the Closing Date. Delivery and payment, as aforesaid, shall be made at such place as shall have been mutually agreed upon by the District and the Authority.

9. The Authority has entered into this Purchase Contract in reliance upon the representations, warranties and agreements of the District contained herein and to be contained in the documents and instruments to be delivered on the Closing Date, and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Authority's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Local Obligation Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and shall also be subject to the following conditions:

(a) The representations and warranties of the District contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) On the Closing Date, the Proceedings shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by both the Authority and the District;

(c) As of the Closing Date, all official action of the District relating to the Proceedings shall be in full force and effect, and there shall have been taken all such actions as, in the opinion of Aleshire & Wynder, LLP (“Bond Counsel”), shall be necessary or appropriate in connection therewith, with the issuance of the Local Obligation Bonds and with the transactions contemplated hereby;

(d) The Authority shall have the right to terminate the Authority’s obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Local Obligation Bonds by notifying the District of their election to do so if, after the execution hereof and prior to the Closing: (i) the marketability of the Local Obligation Bonds or the market price thereof, in the opinion of the Authority, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State of California, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State of California, or by a tentative decision with respect to legislation reached by a committee of the House of Representatives or the Senate of the Congress of the United States, or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or the Senate of the Congress of the United States or either house of the Legislature of the State of California, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State of California by the Governor of the State of California in an executive communication, affecting the tax status of the District, its property or income, its bonds (including the Local Obligation Bonds) or the interest thereon, or any tax exemption granted or authorized by the Bond Law; (ii) the United States shall have become engaged in hostilities which have resulted in a declaration of war or national emergency, or there shall have occurred any other outbreak of hostilities, or a local, national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Authority, would affect materially and adversely the marketability of the Local Obligation Bonds (it being agreed by the Authority that there is no outbreak, calamity or crisis of such a character as of the date hereof); (iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by the United States, New York State or California State authorities; (iv) there shall have occurred a withdrawal or downgrading of any rating assigned to any securities of the City by a national municipal bond rating agency; (v) any proposed development described in the Proceedings shall have been repudiated by the applicable developer, or any litigation or proceedings shall be pending or threatened questioning the proposed development or seeking to enjoin the development thereof, or the District shall have received notice from the applicable developer that it will be unable to proceed with the development as described in the Proceedings; (vi) any federal or State of California court, authority or regulatory body shall take action materially and adversely affecting the ability of a developer to proceed with the development as contemplated by the Proceedings; or (vii) if the Underwriter terminates its purchase contract with the Authority;

(e) On or prior to the Closing Date, the Authority shall have received each of the following documents:

(1) All documents and opinions required to be received by the trustee for the Authority Bonds prior to the application of proceeds of the Authority Bonds to the purchase of the Local Obligation Bonds;

(2) An opinion, in form and substance satisfactory to the District and the Authority, dated as of the Closing Date, of Bond Counsel approving the validity of the Local Obligation Bonds;

(3) A supplementary opinion, dated the date of the Closing and addressed to the Authority, of Bond Counsel to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by, and, assuming due authorization, execution and delivery by the Authority, constitutes a legal, valid and binding agreement of the District enforceable in accordance with its terms, except as such enforceability may be limited by the application of equitable principles if equitable remedies are sought; and (ii) the Local Obligation Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Fiscal Agent Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(4) A certificate dated the Closing Date, addressed to the Authority, signed by the City Manager or Assistant City Manager of the City, on behalf of the District, to the effect that:

(i) The representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date;

(ii) There is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened, wherein an unfavorable decision, ruling or finding would: (A) affect the creation, organization, existence or powers of the District, or the titles of its members and officers to their respective offices, (B) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the levy or collection of the special taxes or any other moneys or property pledged or to be pledged under the Fiscal Agent Agreement, or the pledge thereof, (C) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to the special taxes or moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds, (D) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds or the Proceedings, or (E) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement or the other Proceedings; and

(iii) The District has complied with all agreements, covenants and arrangements, and satisfied all conditions, on its part to be complied with or satisfied on or prior to the Closing Date;

(5) An opinion, dated the date of Closing and addressed to the Authority, of the City Attorney of the City, as Special Counsel to the District, that there is no action, suit, proceeding or investigation before or by any court, public board or body pending or threatened and served on the City, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the District, or the titles of its members and officers to their respective offices; (ii) enjoin or restrain the issuance, sale and delivery of the Local Obligation Bonds, the receipt of any other moneys or property pledged or to be pledged under the Fiscal Agent Agreement or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the District with respect to special taxes within the District or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Local Obligation Bonds; (iv) in any way question or affect any authority for the issuance of the Local Obligation Bonds, or the validity or enforceability of the Local Obligation Bonds; or (v) in any way question or affect this Purchase Contract or the transactions contemplated by this Purchase Contract, the Fiscal Agent Agreement or the other Proceedings; and

(6) Such additional legal opinions, certificates, instruments and documents as the Authority may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the District's representations and warranties contained herein.

In addition to the foregoing, the District shall on the Closing Date provide the Proceedings, certified by authorized officers of the District, on behalf of the District, with only such amendments, modifications or supplements as may have been agreed to by the Authority.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Authority, but the approval of the Authority shall not be unreasonably withheld. Receipt of, and payment for, the Local Obligation Bonds shall constitute evidence of the satisfactory nature of such as to the Authority. The performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Authority may be waived by the Authority in its sole discretion.

If the District shall be unable to satisfy the conditions to the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligation Bonds contained in this Purchase Contract, or if the obligations of the Authority to purchase, accept delivery of and pay for the Local Obligation Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Authority nor the District shall be under further obligation hereunder.

The Authority shall be under no obligation to pay, and the District shall pay the following expenses incident to the performance of the District's obligations hereunder: (i) the cost of the preparation of the Local Obligation Bonds; (ii) the fees and disbursements of Bond Counsel and of Special Counsel to the District; and (iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the District.

This Purchase Contract is made solely for the benefit of the District and the Authority (including their successors and assigns), and no other person shall acquire or have any right hereunder or by virtue hereof. All of the District's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect regardless of: (i) any investigations made by or on behalf of the Authority or (ii) delivery of and payment for the Authority Bonds pursuant to this Purchase Contract. The agreements contained in this paragraph and in the paragraph above shall survive any termination of this Purchase Contract.

This Purchase Contract shall become effective upon the execution of the acceptance hereof by the signatures of the Mayor, City Manager or Finance Director of the City and the Chairman or Executive Director of the Authority, and shall be valid and enforceable as of the time of such execution.

This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California applicable to contracts made and performed in such State.

IN WITNESS WHEREOF, the Authority and the District have each caused this Purchase Contract to be executed by their duly authorized officers all as of the date first above written.

PERRIS JOINT POWERS AUTHORITY

By: \_\_\_\_\_  
Executive Director

COMMUNITY FACILITIES DISTRICT NO.  
2006-2 (MONUMENT PARK ESTATES) OF THE  
CITY OF PERRIS

By: \_\_\_\_\_  
City Manager

[Signature Page to Commitment Agreement and Purchase Contract]

**EXHIBIT A**

**Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of  
Perris  
Special Tax Bonds, 2015 Series**

PRINCIPAL AMOUNT: \$ \_\_\_\_\_  
AUTHORITY DISCOUNT: \_\_\_\_\_  
PURCHASE PRICE \$ \_\_\_\_\_

<u>Maturity Date</u> <u>(September 1)</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2035*			
2045*			

\*Term Bond  
Maturity



**NEW ISSUE-BOOK ENTRY ONLY**

**NOT RATED**

(see “CONCLUDING INFORMATION - NO RATING ON THE BONDS” herein)

*In the opinion of Aleshire & Wynder, LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS - TAX EXEMPTION” herein.*

**COUNTY OF RIVERSIDE**

**STATE OF CALIFORNIA**

**\$10,250,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2006-2 (MONUMENT PARK**  
**ESTATES)),**  
**2015 SERIES A**

**Dated: Date of Delivery**

**Due: September 1, as shown below**

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds (as defined herein) involves risks. See “BOND OWNERS’ RISKS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.**

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015, until maturity or earlier redemption thereof (see “THE BONDS - GENERAL PROVISIONS” and “THE BONDS - REDEMPTION” herein).

**The Bonds are subject to optional redemption, special mandatory redemption and mandatory sinking payment redemption prior to their stated maturities as described herein.**

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**MATURITY SCHEDULE**

(see inside cover)

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A portion of the proceeds from the Bonds issued by the Authority will be used, on the delivery date of the Bonds, to acquire the District Bonds (as defined herein) to be issued under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the Government Code of the State of California). The Bonds are special obligations of the Authority payable solely from and secured by revenues from repayment of the District Bonds, the Reserve Account and the Cash Flow Management Fund, as defined herein, held by the Trustee and under certain circumstances described in the Indenture by any available surplus revenues with respect to other series of bonds issued by the Authority as described herein.

Repayment of the District Bonds will be from Special Taxes (as described herein) to be levied against taxable real property within Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris, as described herein (see “SOURCES OF PAYMENT FOR THE BONDS” and “BOND OWNERS’ RISKS” herein).

It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about \_\_\_\_\_, 2015 (see “APPENDIX G - BOOK-ENTRY SYSTEM”).

*The date of the Official Statement is \_\_\_\_\_, 2015.*

\* Preliminary, subject to change.

**O’CONNOR & COMPANY SECURITIES**

**\$10,250,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2006-2 (MONUMENT PARK ESTATES)),**  
**2015 SERIES A**

**MATURITY SCHEDULE**

(Base CUSIP<sup>+</sup> \_\_\_\_\_)

**\$2,545,000\* Serial Bonds**

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Suffix<sup>+</sup></u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				

**\$1,780,000\*** \_\_\_\_\_% Term Bond due September 1, 2035, Price \_\_\_\_\_% CUSIP Suffix+ \_\_\_\_\_

**\$5,925,000\*** \_\_\_\_\_% Term Bond due September 1, 2045, Price \_\_\_\_\_% CUSIP Suffix+ \_\_\_\_\_

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<sup>+</sup> CUSIP® Copyright 2015. American Bankers' Association. CUSIP® data herein is provided by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau. CUSIP® numbers are provided for convenience of reference only. The Authority and the Underwriter do not guarantee the accuracy of the CUSIP® data herein.

\* Preliminary, subject to change.

**PERRIS JOINT POWERS AUTHORITY  
PERRIS, CALIFORNIA**

**AUTHORITY BOARD AND CITY COUNCIL**

Daryl Busch, *Mayor*  
Tonya Burke, *Mayor Pro Tem*  
David Starr Rabb, *Council Member*  
Julio Rodriguez, *Council Member*  
Rita Rogers, *Council Member*

---

**CITY STAFF**

Richard Belmudez, *City Manager*  
Ron Carr, *Assistant City Manager*  
Eric Dunn, *City Attorney*  
Nancy Salazar, *City Clerk*

---

**PROFESSIONAL SERVICES**

**Bond Counsel**  
Aleshire & Wynder, LLP  
Irvine, California

**Disclosure Counsel**  
Norton Rose Fulbright US LLP  
Los Angeles, California

**City Attorney and Authority Counsel**  
Aleshire & Wynder, LLP  
Irvine, California

**Financing Consultant**  
Rod Gunn Associates, Inc.  
a California corporation

**Special Tax Consultant, Dissemination Agent  
and Administrator**  
Willdan Financial Services  
Temecula, California

**Trustee and Fiscal Agent**  
U.S. Bank National Association  
Los Angeles, California

**Underwriter**  
O'Connor & Company Securities, Inc.  
Costa Mesa, California

**Underwriter's Counsel**  
McFarlin & Anderson LLP  
Laguna Hills, California

---

**FOR ADDITIONAL INFORMATION**

Ron Carr, City of Perris, California (951) 943-6100  
O'Connor & Company Securities, Inc. (949) 764-9320

## **GENERAL INFORMATION ABOUT THE OFFICIAL STATEMENT**

The information set forth herein has been obtained from the Authority, the City and other sources believed to be reliable. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. No dealer, broker, salesperson or any other person has been authorized by the Authority or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City, the District or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any offer or solicitation of such offer or any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale of the Bonds made thereafter shall under any circumstances create any implication that there has been no change in the affairs of the Authority and the District or in any other information contained herein, since the date hereof.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ABOVE, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “expect,” “anticipate,” “intend,” “believe,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority or the City do not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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## **Vicinity Map**

(insert map #1)



**OFFICIAL STATEMENT**  
**\$10,250,000\***  
**PERRIS JOINT POWERS AUTHORITY**  
**LOCAL AGENCY REVENUE BONDS**  
**(CFD NO. 2006-2 (MONUMENT PARK ESTATES)),**  
**2015 SERIES A**

This Official Statement, which includes the cover page and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series A (the “Bonds”), in the aggregate principal amount of \$10,250,000.\*

**SUMMARY STATEMENT**

*This Summary Statement contains only a brief description of this issue and does not purport to be complete. This Summary Statement is subject in all respects to more complete information in the entire Official Statement, including the appendices, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investment in the Bonds involves risks. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.*

**THE AUTHORITY**

**Authority Formation; Members**

The Perris Joint Powers Authority (the “Authority”) is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Joint Powers Act”). The City of Perris (the “City”), pursuant to Resolution No. 4569 adopted on March 26, 2013, and the Housing Authority of the City of Perris (the “Housing Authority”), pursuant to Resolution No. HA002, adopted on March 26, 2013, formed the Authority by the execution of a joint exercise of powers agreement (the “Joint Powers Agreement”) (see “**THE AUTHORITY**” herein). The City Council of the City serves as the Board of the Authority (see “**THE AUTHORITY**” herein).

**Bond Authorization and Issuance**

Pursuant to the Joint Powers Act, the Authority is authorized, among other things, to issue revenue bonds to provide funds to acquire local obligations issued to finance or refinance public capital improvements, such revenue bonds to be repaid from the repayment of the local obligations so acquired by the Authority. The Bonds are being issued pursuant to the Indenture, as defined herein, approved by the Authority pursuant to the Authority Resolution adopted on March 31, 2015 (the “Authority Resolution”). It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about [REDACTED], 2015 (see “**APPENDIX G - BOOK-ENTRY SYSTEM**”).

**Repayment of the Bonds**

The Bonds are secured under an Indenture of Trust, dated as of April 1, 2015 (the “Indenture”), between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the “Trustee”) (see “**APPENDIX A - SUMMARY OF THE INDENTURE**”).

---

\* Preliminary, subject to change.

The Bonds are special obligations of the Authority payable solely from and secured by the proceeds of:

1. Moneys received from payment of the local obligations to be acquired by the Authority with the proceeds of the Bonds;
2. The Reserve Account (as defined in the Indenture) established with the proceeds of the Bonds and held pursuant to the Indenture (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Reserve Account**” herein);
3. Any moneys that may be available from the Cash Flow Management Fund established and held pursuant to the Indenture (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Cash Flow Management Fund**” herein);
4. Money, if any, on deposit in the Revenue Fund, Bond Fund and Redemption Fund; and
5. Any investment earnings with respect to such monies (see “**THE BONDS – INVESTMENT OF FUNDS**” herein)

(collectively, the “Revenues” herein).

In addition, the Bonds may be payable from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are available to replenish the Reserve Account to its requirement and to fund the Cash Flow Management Fund to its requirement as provided in the Indenture. In the event of a shortfall of the amount required to pay debt service on the Bonds, the Bonds may be payable from the Cash Flow Management Fund of other series of local agency revenue bonds of the Authority (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS**” and “**BOND OWNERS’ RISKS**” herein).

**The Bonds are special obligations of the Authority. The Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the District (except to the limited extent described herein), the City, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.**

### **Purchase of Local Obligations**

On the delivery date of the Bonds, the Authority will acquire bonds (the “District Bonds”) to be issued by Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the “District”), as described herein.

The Authority has issued other series of bonds. Each series is separately secured under the terms of the indenture for such other series of bonds. The Authority is not authorized to issue any additional bonds under the Indenture secured by repayment of the District Bonds except for refunding purposes. The District also is not authorized to issue additional bonds secured by the Special Taxes levied within the District except for refunding purposes.

### **Financing Purpose of the Bonds**

The Bonds are being issued for the following purposes:

1. To provide funds to acquire the District Bonds on the date of delivery of the Bonds;
2. To fund the Reserve Account. The amount of Bond proceeds deposited into the Reserve Account will be \$799,837.50\* (an amount equal to the Reserve Requirement) (see “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE BONDS - Reserve Account**” herein); and

---

\* Preliminary, subject to change.

3. To pay the expenses of the Authority in connection with the issuance of the Bonds.

In addition, there will be an initial deposit into the Cash Flow Management Fund from other available funds of \$119,975\* (an amount equal to the initial Cash Flow Management Fund Requirement) (see “ESTIMATED SOURCES AND USES OF FUNDS – THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Reserve Account” and “SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS - Cash Flow Management Fund” herein).

## **THE DISTRICT**

### **Enabling Legislation**

The Mello-Roos Community Facilities Act of 1982, as amended, constituting Section 53311 *et seq.* of the Government Code of the State of California (the “Act”), was enacted by the California Legislature to provide an alternative method of financing certain public facilities, improvements and services. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the local applicable governmental entity acting on behalf of the community facilities district. Subject to approval by at least a two-thirds vote of the votes cast by qualified electors within the community facilities district and compliance with the provisions of the Act, the legislative body may issue bonds for such community facilities district established by it and may levy and collect a special tax within the community facilities district to repay such bonds.

### **Formation of the District**

On [REDACTED], 2007, the City of Perris (the “City”) formed Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the “District”) by the adoption of Resolution No. [REDACTED] (the “Resolution of Formation”). On [REDACTED], 2007, at an election held pursuant to the Act, the landowners of record within the boundaries of the District voted in favor of the ballot proposition.

### **General Location of the District**

The District is generally bounded by the San Jacinto River Flood Control Channel to the northwest, Ethanac Road to the south, and Goetz Road to the East. The District is proposed to include 386 residential units at build out.

### **Property Ownership**

285 parcels within the District are fully developed with single family homes in individual ownership and 101 parcels remain in the ownership of KB HOME Coastal, Inc., the merchant builder.

**The owners of property within the District will not be personally liable for payments of the Special Taxes to be applied to pay the principal of and interest on the District Bonds.**

### **Authorization and Issuance of the District Bonds**

The bond authorization amount for the District, approved by the qualified electors on [REDACTED], 2007, is \$16,000,000. On the date of delivery of the Bonds, the District will issue the District Bonds in the principal amount of \$10,250,000\* which will be acquired by the Authority. The District is not authorized to issue any additional bonds except for refunding purposes (see “THE BONDS – ADDITIONAL OBLIGATIONS – The District” herein).

---

\* Preliminary, subject to change.

Map 2

The District, pursuant to a resolution adopted on \_\_\_\_\_, 2015 (the “District Resolution”), approved the issuance of the District Bonds and the sale of the District Bonds to the Authority. The District Bonds are secured by Special Taxes levied on taxable properties in the District, as described below. The Board of Directors of the Authority, pursuant to the Authority Resolution, authorized the Authority to acquire the District Bonds.

### **Repayment of the District Bonds**

The District Bonds are secured under a Fiscal Agent Agreement, dated as of April 1, 2015 (the “Fiscal Agent Agreement”) between the District and U.S. Bank National Association, Los Angeles, California, as Fiscal Agent (the “Fiscal Agent”) (see “**APPENDIX B - SUMMARY OF THE FISCAL AGENT AGREEMENT**”). The District Bonds are special obligations of the District payable solely from and secured by the proceeds of:

1. The Special Taxes on parcels of land within the District pledged to the repayment of the District Bonds in an amount sufficient to pay debt service on the District Bonds, including an allowance for delinquencies, and the administrative expenses related to the District, subject to the Maximum Special Tax, as described herein, that may be levied on parcels within the District as set forth in the Act, the Fiscal Agent Agreement and the Rate and Method of Apportionment;
2. Any investment earnings with respect to such moneys (see “**THE BONDS – INVESTMENT OF FUNDS**” herein); and
3. Any moneys that may be available from the Delinquency Management Fund established and held pursuant to the Fiscal Agent Agreement (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund**” herein).

**The District Bonds are special obligations of the District. The District Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the District. The District shall only be obligated to pay the principal of the District Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds. The District does not have any *ad valorem* taxing power (see “**SOURCES OF PAYMENT FOR THE BONDS**” and “**BOND OWNERS’ RISKS**” herein).**

### **Financing Purpose of the District Bonds**

The District Bonds are being issued for the following purposes:

1. To provide the District with funds to finance public infrastructure and capital fees related to the District; and
2. To pay the expenses of the District in connection with the issuance of the District Bonds.

(see “**ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS**” herein).

In addition, there will be an initial deposit into the Delinquency Management Fund from other available funds in the amount of \$119,975.63\* (see “**ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS,**” “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS - Delinquency Management Fund**” herein).

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\* Preliminary, subject to change.

## THE SPECIAL TAXES

### General

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment as briefly summarized below (see “THE SPECIAL TAXES” herein and “APPENDIX C – Rate and Method of Apportionment”).

### Special Tax Requirement

The District is required pursuant to the Rate and Method of Apportionment to annually determine the Special Tax Requirement (as defined herein) (see “THE SPECIAL TAXES – SPECIAL TAX REQUIREMENT” herein) and apportion such amount subject to the Maximum Special Tax for the District, as described herein, until the Special Taxes equal the Special Tax Requirement. Generally, the “Special Tax Requirement” is the amount necessary to pay debt service on the District Bonds, reasonably anticipated delinquencies within the District based on past delinquencies and the Administrative Expenses of the District.

### Apportionment of the Special Tax

The Rate and Method of Apportionment requires the Special Tax levy to be apportioned between 2 classes of property currently existing in the District (“Developed Property,” and “Undeveloped Property” as defined in the Rate and Method of Apportionment). Generally, the Special Tax is levied proportionately, first, on each Assessor’s Parcel of Developed Property at up to 100% of the applicable Special Tax rates as needed to satisfy the Special Tax Requirement. Secondly, if additional moneys are needed to satisfy the Special Tax Requirement, after the levy on Developed Property, the Special Tax is levied proportionately on each Assessor’s Parcel of Undeveloped Property, if any, in the District, at up to 100% of the Special Tax applicable to each such Assessor’s Parcel as needed to satisfy the Special Tax Requirement (see “RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX – METHOD OF APPORTIONMENT” herein).

**Developed Property.** Developed Property, as defined in the Rate and Method of Apportionment, generally consists of all residential lots created by a recorded final map and for which a building permit for a dwelling unit has been issued. The Rate and Method of Apportionment does not differentiate between completed homes and Finished Lots with a building permit where vertical construction has not commenced, each as defined in the Appraisal Report (see “APPENDIX C – RATE AND METHOD OF APPORTIONMENT” and “APPENDIX D – APPRAISAL REPORT”).

Shown below is the status and composition of Developed Property as of January 15, 2015 within the District.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
DEVELOPED PROPERTY  
(AS OF JANUARY 15, 2015)**

<u>Completed</u>	<u>Homes Under Construction</u>	<u>Finished Lots w/ Building Permit</u>	<u>Total</u>
319	8	4	331

Source: the Appraisal Report and Willdan Financial Services.

**Undeveloped Property.** Undeveloped Property, as defined in the Rate and Method of Apportionment, generally consists of all taxable lots not classified as Developed Property. The Rate and Method of Apportionment does not differentiate between finished lots, blue top lots and rough graded lots (see “APPENDIX C – RATE AND METHOD OF APPORTIONMENT” and “APPENDIX D – APPRAISAL REPORT”).

Shown below is the status and composition of Undeveloped Property as of January 15, 2015.

**COMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
UNDEVELOPED PROPERTY  
(AS OF JANUARY 15, 2015)**

<u>Finished Lots</u>	<u>Construction</u>	<u>Raw Land</u>	<u>Total</u>
55	0	0	55

Source: the Appraisal Report and Willdan Financial Services.

**Maximum Special Tax**

The Rate and Method of Apportionment established Maximum Special Tax categories for Developed Property based upon Building Square Footage (see “THE SPECIAL TAXES – MAXIMUM SPECIAL TAX” herein). Developed Property, as defined in the Rate and Method of Apportionment, generally consists of all Taxable Property in the District for which a building permit for new construction has been issued (see “APPENDIX C – RATE AND METHOD OF APPORTIONMENT”). The Fiscal Year 2014/15 Maximum Special Tax for each category in the District and the amount of the FY 2014/15 actual levy for such categories are as follows:

**COMMUNITY FACILITIES DISTRICT 2006-2  
(MONUMENT PARK ESTATES)  
MAXIMUM SPECIAL TAX BY LAND USE CATEGORY  
FISCAL YEAR 2014/15**

<u>Residential Floor Area (Sq. Ft.)</u>	<u>Assigned Special Tax</u>	<u>Amount Levied</u>	<u>% Levied</u>
Less than 1,801	\$2,428.32	\$1,137.74	46.85%
1,801 to 2,000	2,651.16	1,242.14	46.85%
2,001 to 2,200	2,830.36	1,326.10	46.85%
2,201 to 2,400	2,941.78	1,378.32	46.85%
2,401 to 2,600	3,053.20	1,430.52	46.85%
Greater than 2,600	3,242.74	1,519.32	46.85%
Undeveloped	17,079.80/acre	0.00	0.00%

Source: Willdan Financial Services

## Projection of Assigned Annual Special Taxes for Bond Sizing

The Annual Special Taxes on Developed Property were estimated based upon the square footage shown on the building permit for each such parcel. For all lots classified as Undeveloped Property, the projected Annual Special Tax was based upon the assumption that such property was classified as Developed Property in the lowest Special Tax category (see “DEBT SERVICE COVERAGE – DEBT SERVICE COVERAGE ON THE DISTRICT BONDS” herein).

### COMMUNITY FACILITIES DISTRICT 2006-2 (MONUMENT PARK ESTATES) MAXIMUM SPECIAL TAX BY LAND USE CATEGORY FISCAL YEAR 2015/16

<u>Residential Floor Area (Sq. Ft.)</u>	<u>Number of Parcels</u>	<u>Maximum Special Tax</u>	<u>Assumed Amount Levied</u>	<u>% Levied</u>
Less than 1,801	71	\$2,476.89	\$175,859.19	46.85%
1,801 to 2,000	26	2,704.19	70,308.94	46.85%
2,001 to 2,200	47	2,886.97	135,687.59	46.85%
2,201 to 2,400	80	3,000.62	240,049.60	46.85%
2,401 to 2,600	18	3,114.27	56,056.86	46.85%
Greater than 2,600	89	3,307.59	294,375.51	46.85%
Undeveloped	55	2,476.89	<u>63,823.26</u> <sup>(2)</sup>	46.85%
Total			\$519,363.47	

Source: City of Perris and Willdan Financial Services

1. Special Tax levy was based upon Developed Property as of January 15, 2015.
2. The projected Annual Special Tax as Developed Property in the lowest Special Tax category.

## Tax Burden

A tool for evaluating the burden of the Special Taxes on property owners is the ratio of total taxes, special taxes and assessments as a percentage of property value (the “Effective Tax Rate”). The size of the Effective Tax Rate could affect the ability and willingness of the property owners to pay the Special Taxes when due. Conceptually, bonds issued by a community facilities district secured by special taxes finance improvements that otherwise would have to be added to the purchase price of a home and, therefore, homes in such community facilities district would have a lower selling price than comparable homes that did not have the benefit of such financing. In practice, however, the purchase price of a home is primarily determined by market forces that may or may not take into account the special taxes. Although the Special Tax rate may not change, the percentage Effective Tax Rate varies with the value of a dwelling. Therefore, during periods of a depressed real estate market when home prices decrease, the Effective Tax Rate increases. In addition, the Assigned Special Tax rates increase 2% annually, and the value of homes in the District will vary with the real estate market. The 2014-15 Effective Tax Rate in the District is approximately 1.72% (see “BOND OWNERS’ RISKS – THE DISTRICT BONDS - Risk Factors Relating to Tax Burden - Effective Tax Rate” herein).

## Lien of the Special Tax

Payment of the Special Taxes is secured by the parcels assessed within the District. In the event an annual installment of the Special Taxes included on the County of Riverside (the “County”) tax bill of an



assessed parcel is not paid when due, the District can institute foreclosure proceedings in court to cause the parcel to be sold in order to recover the delinquent amount from the proceeds of the sale (see “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE DISTRICT BONDS – Covenant for Superior Court Foreclosure**” herein). Although the Special Taxes will constitute a lien on parcels of real property within the District, they do not constitute a personal indebtedness of the owner(s) of real property.

Foreclosure and sale may not always result in the recovery of any or the full amount of delinquent Special Taxes. No assurance can be given that should a parcel or lot with delinquent annual installments be foreclosed, that any bid will be received for such property or, if a bid is received, that such bid will be sufficient to pay such delinquent annual installments of the Special Tax. However, since a property is sold only for the amount delinquent and not for the entire outstanding special taxes, it is anticipated that the current value of Developed Property, as estimated, should be sufficient to secure any delinquent special taxes (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values**” herein).

The payment of Special Taxes by a property owner depends in part upon the debt secured by the parcel (see discussion under “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values**” herein). In particular, property owners with negative equity may default on their mortgage payments and not pay their Special Taxes. Any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest.

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors affecting individual property owners. See “**BOND OWNERS’ RISKS – THE DISTRICT BONDS**” for discussions of certain potential causes of property tax and Special Tax delinquencies. The table below shows the ratio between the average appraised value of land and improvements to the average actual annual Special Tax for such land and improvements within the District.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
RATIO OF THE AVERAGE APPRAISED VALUE OF LAND AND IMPROVEMENTS  
TO THE AVERAGE ACTUAL ANNUAL SPECIAL TAX  
FISCAL YEAR 2015/16**

<u>Appraised Value as of January 15, 2015</u>	<u>Number of Parcels</u>	<u>Average Appraised Value</u>	<u>Average Actual Annual Special Tax</u>	<u>Ratio of Average Assessed Value to Average Actual Annual Special Tax</u>
\$93,000,000	386	\$240,932	\$1,346	179 to 1

Sources: City of Perris and the Appraisal Report.

**Special Tax Collections**

The amount of the Special Tax levy and the amounts collected and delinquencies for Fiscal Years 2012/13 through 2014/15 are shown below.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
SPECIAL TAX RECEIPTS**

<u>Fiscal Year</u>	<u>No. of Parcels Levied</u>	<u>Amount Levied</u>	<u>Amount Paid as of June 30</u>	<u>% Delinquent</u>	<u>Parcels Currently Delinquent</u>
2011/12	23	\$28,698	0	0.00%	0
2012/13	45	57,404	0	0.00%	0
2013/14	128	161,739	\$1,707	1.06%	0
2014/15 <sup>(1)</sup>	230	305,122	1,999	1.31%	3

(1) Fiscal Year 2014/15 delinquency amounts are for the first installment only (due December 10, 2014) as of February 10, 2015.

Source: County of Riverside, as compiled by Willdan Financial Services.

**DEVELOPMENT WITHIN THE DISTRICT**

**Property Ownership**

The property owners within the District, as of January 15, 2015, consisted of 285 individual owners and KB HOME Coastal, Inc. (“KB HOME Coastal”) which owned 101 parcels of which 42 parcels are expected to be the subject of the Special Tax levy in Fiscal Year 2015/16 after the issuance of the District Bonds.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
PROPERTY OWNERSHIP  
(AS OF JANUARY 15, 2015)**

<u>Property Owner</u>	<u>Completed</u>	<u>Homes Under Construction</u>	<u>Finished Lots (no vertical construction)</u>	<u>Total</u>
Individual Owners	285	0	0	285
KB Home Coastal	<u>34</u>	<u>8</u>	<u>59</u>	<u>101</u>
<b>Total</b>	<b>319</b>	<b>8</b>	<b>59</b>	<b>386</b>

Source: the Appraisal Report.

There are expected to be transfers of ownership of the property currently owned by KB HOME Coastal to purchasers of single family homes during the development of the land within the District. During the period of time a significant portion of the land in the District is owned by a single or limited number of property owner(s), there is a substantial risk to the Bond Owners that such single or limited number of owners will not pay their Special Taxes (see “**BOND OWNERS’ RISKS - Risk Factors Relating to the Levying and Collection of the Special Taxes – Concentration of Ownership**” herein). However, the Special Tax on Undeveloped Property for Fiscal Year 2015/16 will be funded from bond proceeds and during that period of time, it is currently expected, ownership of a substantial number of the remaining parcels will transfer ownership from KB HOME Coastal to individual homeowners.

KB HOME Coastal is a California corporation and a wholly-owned subsidiary of KB HOME, a Delaware corporation (“KB Home Corporation”). KB Home Corporation is one of Southern California’s largest homebuilders. KB Home Corporation has domestic operating divisions in California, Arizona, Nevada, New Mexico, Colorado, Illinois, Florida, Louisiana, Texas, Georgia, North Carolina, South Carolina, Virginia and Maryland.

Founded in 1957, KB Home Corporation is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol “KBH.” Financial information about KB Home Corporation is included in documents filed with the Securities and Exchange Commission (SEC), particularly in its Annual Report on Form 10-K and its most recent quarterly report on Form 10-Q. KB Home Corporation’s internet address is [www.kbhome.com](http://www.kbhome.com). This internet address is included for reference only and the information on such internet site is not a part of this Official Statement and is not incorporated by reference into this Official Statement. No representation is made in this Official Statement as to the accuracy or adequacy of the information included in such internet site, financial statements, or filings with the SEC.

**The owners of property within the District of the District will not be personally liable for payment of the Special Taxes to be applied to pay the principal of and interest on the District Bonds.**

### **Description of Development**

The District encompasses the master planned community of Monument Park Estates. The community of Monument Park Estates includes approximately 133 gross acres proposed for an ultimate build out of 386 single family detached homes on lots ranging from 4,792 square feet to 18,000+ square feet. The majority of development is on lots between 5,000 square feet and 8,000 square feet. The residential development is planned for an overall density of 4± units per developable acre.

The property within the District was purchased by the current merchant builder, KB Home Coastal in June 2010. On November 17, 2010, the first development (known as Villages at Monument Park) opened for sales offering floor plans ranging from 1,234 square feet to 2,530 square feet. The next product offered for sale was known as Villages at Monument Park II and offered larger floor plans ranging from 2,390 square feet to 3,085 square feet. On May 13, 2013, the product known as Sequoia opened for sale with the same floor plans as Villages at Monument Park II. On September 28, 2013, KB HOME Coastal commenced selling the Cabrillo product line. The Cabrillo product line includes floor plans ranging in size from 1,848 square feet to 2,937 square feet.

The following table summarizes the base floor plan sizes. The currently selling products of Sequoia and Cabrillo also include the current base selling prices. The sold out developments of Villages at Monument Park I and II reflect the last base sales prices for each floor plan.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
PRODUCT LINE DESCRIPTION**

<b>Product</b>	<b>Average Lot Size</b>	<b>Unit Size</b>	<b>Br/Bath</b>	<b>Base S/P</b>	<b>\$/SF</b>
Villages at Monument Park I (sold out)	9,000 SF	1,234	3/2	\$224,990	\$182.33
		1,551	4/2	\$237,990	\$153.44
		1,779	4/2	\$249,990	\$140.52
		1,883	4/2.5	\$247,990	\$131.70
		2,222	4/2.5	\$265,990	\$119.71
		2,530	4/2.5	\$271,990	\$107.51
Villages at Monument Park II (sold out)	8,000 SF	2,390	4/2	\$282,990	\$118.41
		2,604	3/2.5	\$294,990	\$113.28
		2,783	3/2.5	\$299,990	\$107.79
		3,085	4/2.5	\$310,990	\$100.81
Sequoia at Monument Park (nearly sold out)	8,000 SF	2,390	4/2	\$290,000	\$121.34
		2,604	3/2.5	\$291,990	\$112.13
		2,783	3/2.5	\$300,900	\$108.12
		3,085	5/3	\$308,990	\$100.16
Cabrillo at Monument Park	6,500 SF	1,848	4/2	\$259,990	\$140.69
		2,134	4/2	\$272,990	\$127.92
		2,376	5/3	\$280,990	\$118.26
		2,639	4/2.5	\$288,990	\$109.51
		2,937	5/3	\$308,990	\$105.21

It should be noted, however, that during the course of development product lines often change. KB HOME Coastal is continuously evaluating their product lines and prices in light of the then current market conditions.

The orderly development of property in the District is a priority concern of potential investors. Prolonged development periods translate into longer periods of time a significant portion of the land in the District is owned by a single or limited number of property owner(s) and may be subject to fluctuations in the real estate market. The developer may be required to reduce prices to sell existing inventory and may introduce new lower priced product lines in order to maintain sales volume.

The acceptance of the product lines by potential home buyers depends on numerous tangible and intangible, not fully predictable, factors affecting individual buyers. A reduction in sales prices within the District due to a downturn in the economy or the real estate market, or other events may adversely impact the value of the security underlying the Special Tax (see “**BOND OWNERS’ RISKS**” herein for a discussion of risk factors essential to the making of an informed investment decision with respect to the Bonds).

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
HISTORICAL HOME SALES**

<u>Year</u>	<u>No. of Sales</u>	<u>Avg. Size</u>	<u>Avg. S/P</u>	<u>Avg. \$/SF</u>
2011	22	1,902 SF	\$226,409	\$119.01
2012	33	2,007 SF	\$233,281	\$112.87
2013	88	2,057 SF	\$261,538	\$127.15
2014	142	2,384 SF	\$297,430	\$124.78
Total	285			

Source: The Appraisal Report.

*There can be no assurance that the development plans of KB HOME Coastal described herein and in the Appraisal Report will be completed or that the development plans will not be modified in the future. In changing market conditions, builders will often revise their product lines and prices and the rate of sales can fluctuate. Furthermore, no assurance can be given that sales will occur at the rate shown herein and assumed in the Appraisal Report in the future.*

**Value-To-Lien Ratios**

The District had an appraisal (the “Appraisal Report”) prepared by Harris Realty Appraisal, Newport Beach, California, in order to estimate the retail value of completed dwellings and the value of the land and improvements within the District in their “as is” condition (see “APPENDIX D – APPRAISAL REPORT”).

The value of the land and improvements within the District is a major factor in determining the investment quality of the Bonds. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax. To account for such uncertainties, investors typically require the value of the property upon which the Special Tax is levied to be several times the principal amount of any district bonds. Such value-to-lien ratios are derived by dividing the value of the property by the principal amount of the district bonds. For example, a 3:1 ratio means that the value is three times the total bond amount. **The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio shown below.** Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels in the District (see “BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values” herein and “APPENDIX D – APPRAISAL REPORT”).

Based on the appraised value of the property within the District of \$93,000,000 as reported in the Appraisal Report, the estimated value-to-lien ratio is 9.07\* to 1. The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio for the District. See “BOND OWNERS’ RISKS – THE DISTRICT BONDS - Risk Factors Relating to Land Values” herein and “APPENDIX D – APPRAISAL REPORT.”

Shown below is the estimated value-to-lien ratio in the District, as of January 15, 2015.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
VALUE-TO-LIEN RATIO  
(AS OF JANUARY 15, 2015)**

	<u>Number of Parcels</u>	<u>Total Estimated Value</u>
<b>Developed Property</b>		
Completed (Individual Homeowners)	285	\$80,000,000
Under Construction (includes model homes)	<u>42</u>	<u>9,200,000</u>
<b>Subtotal Developed Properties</b>	327	89,200,000
<b>Undeveloped Property</b>	<u>59</u>	<u>3,800,000</u>
<b>Total</b>	<b>386</b>	<b>\$93,000,000</b>
<b>Principal Amount of 2014 District Bonds</b>		\$10,250,000*
<b>Value to Lien</b>		9.07* to 1

Source: the Appraisal Report.

## REDEMPTION OF THE BONDS

### Optional Redemption

The Bonds are subject to optional redemption prior to maturity at the option of the Authority, in whole or in part, from such maturities as selected by the Authority and by lot within a maturity, on September 1, 2025, from any available source of funds, and on any date thereafter at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, as described herein (see “**THE BONDS – REDEMPTION - Optional Redemption**” herein).

### Mandatory Sinking Payment Redemption

The Bonds maturing September 1, 2035, and September 1, 2045, are subject to mandatory sinking payment redemption, without premium, prior to their maturity date, in part by lot on September 1 in each year commencing September 1, 2031, with respect to the Bonds maturing September 1, 2035, and September 1, 2036, with respect to the Bonds maturing September 1, 2045, from Sinking Account payments under the Indenture (see “**THE BONDS - REDEMPTION – Mandatory Sinking Payment Redemption**” herein).

### Special Mandatory Redemption

The Bonds are subject to special mandatory redemption, in whole or in part, from such maturities as selected by the Authority and by lot within a maturity, on any date on or after September 1, 2015, from redemption of the District Bonds from amounts constituting prepayments of Special Taxes, from amounts transferred by the Authority to the District from the Cash Flow Management Fund held under the Indenture and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement for the redemption of the District Bonds at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see “**THE BONDS - REDEMPTION – Special Mandatory Redemption**” herein).

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\* Preliminary, subject to change.

## **THE BONDS - GENERAL PROVISIONS**

### **Denominations**

The Bonds will be issued in the minimum denomination of \$5,000 each or any integral multiple thereof (see “**THE BONDS - GENERAL PROVISIONS**” herein).

### **Registration, Transfer and Exchange**

The Bonds will be issued in fully-registered form without coupons. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture (see “**THE BONDS - GENERAL PROVISIONS - Transfer or Exchange of Bonds**” herein). When delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only in the principal amount of \$5,000 each or any integral thereof. Purchasers of the Bonds will not receive certificates representing their Bonds purchased (see “**APPENDIX G - BOOK-ENTRY SYSTEM**” herein).

### **Payment**

Principal of the Bonds and any premium upon redemption will be payable in each of the years and in the amounts set forth on the inside cover page hereof upon surrender at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds will be paid by check of the Trustee mailed by first-class mail on the Interest Payment Date (as defined in the Indenture) to the person entitled thereto (owner of record as of preceding Record Date) (except as otherwise described herein for interest paid to an account in the continental United States of America by wire transfer as requested in writing no later than the applicable record date by owners of \$1,000,000 or more in aggregate principal amount of Bonds) (see “**THE BONDS - GENERAL PROVISIONS**” herein). Initially, interest on and principal and premium, if any, of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds (see “**APPENDIX G - BOOK-ENTRY SYSTEM**” herein).

Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before the Interest Payment Date and after the close of business on the preceding record date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2015, in which event it shall bear interest from the Closing Date; or (c) interest with respect to any outstanding Bond is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid in full or made available for payment thereon payable on each Interest Payment Date.

### **Notice**

Notice of any redemption will be mailed by first-class mail by the Trustee at least thirty (30) but no more than sixty (60) days prior to the date fixed for redemption to the registered owners of any Bonds designated for redemption and to the Securities Depositories and one or more Information Services provided in the Indenture. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date (see “**THE BONDS - REDEMPTION - Notice of Redemption; Rescission**” herein).

If at the time of mailing of any notice of optional redemption there has not been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice will say that it is

subject to the deposit of the redemption of moneys with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

The Authority will have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of such redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Owners or any other party related or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

## **LEGAL MATTERS**

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “**LEGAL MATTERS**” herein. Certain legal matters will be passed on for the Authority and the District by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain legal matters will be passed upon for the Authority, the District and the City by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter’s Counsel.

## **PROFESSIONAL SERVICES**

U.S. Bank National Association, Los Angeles, California, will serve as Trustee under the Indenture and as Fiscal Agent under the Fiscal Agent Agreement. The Trustee will act on behalf of the Bond Owners for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

Rod Gunn Associates, Inc., a California corporation, Financing Consultant, advised the District and the Authority as to the financial structure and certain other financial matters relating to the Bonds.

Willdan Financial Services, Temecula, California, Special Tax Consultant, Dissemination Agent and Administrator for the District, prepared the cash flow certificate for the District demonstrating that there will be sufficient Special Taxes, assuming timely receipt, to pay debt service on the District Bonds.

Fees payable to Bond Counsel, Disclosure Counsel, Underwriter’s Counsel and the Financing Consultant are contingent upon the sale and delivery of the Bonds.

## **AVAILABILITY OF LEGAL DOCUMENTS**

The summaries and references contained herein with respect to the Indenture, the Bonds, the District Bonds, the Fiscal Agent Agreement and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute; and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Underwriter, O’Connor & Company Securities, Inc., 234 East 17<sup>th</sup> Street, Suite 114, Costa Mesa, California, 92627, telephone (949) 764-9320. Copies of these documents may be obtained after delivery of the Bonds from the City at 101 North “D” Street, Perris, California 92570, telephone (951) 943-6100.



## SELECTED FACTS

*The following summary does not purport to be complete. Reference is hereby made to the complete Official Statement in this regard. Furthermore, the following summary makes certain assumptions regarding valuation of property within the District. Neither the Authority nor the District make any representation as to the current value of property in the District or provide any assurance as to the estimated values of property being achieved (see “BOND OWNERS’ RISKS” herein).*

### **THE BONDS**

Principal Amount of Bonds:	\$10,250,000*
Additional Bonds:	Except for refunding purposes, additional bonds are not authorized.
First Optional Redemption Date:	September 1, 2025, at 100% of principal amount (see “ <b>THE BONDS – REDEMPTION – Optional Redemption</b> ” herein).
First Special Mandatory Redemption Date:	On any date on or after September 1, 2015, from the special mandatory redemption of District Bonds at a premium, as described herein (see “ <b>THE BONDS - REDEMPTION – Special Mandatory Redemption</b> ” herein).
Primary Source of Revenues for Repayment:	The Bonds are payable from Revenues (as defined herein) received from the payment of the District Bonds and certain other sources (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS</b> ” and “ <b>BOND OWNERS’ RISKS</b> ” herein).
Priority:	The Bonds are secured by a first pledge of and lien on the Revenues as described herein (see “ <b>SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS</b> ” and “ <b>BOND OWNERS’ RISKS</b> ” herein).
Debt Service Coverage from Repayment of District Bonds (see “ <b>DEBT SERVICE COVERAGE – DEBT SERVICE COVERAGE ON THE AUTHORITY BONDS</b> ” herein):	100%

### **THE DISTRICT BONDS**

Principal Amount of the District Bonds:	\$10,250,000*
Additional District Bonds:	Additional bonds within the District are not authorized except for refunding purposes.
Average Amount of Bonded Debt per Parcel:	\$26,554*

\* Preliminary, subject to change.

Primary Sources for Repayment of the District Bonds:

Special Taxes levied within the District (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS**” and “**THE SPECIAL TAXES**” herein).

Priority:

The District Bonds are secured by a pledge of Special Taxes levied against all taxable real property within the District (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS**” and “**BOND OWNERS’ RISKS**” herein).

The lien of the Special Taxes on the taxable real property within the District is on a parity with the lien of all overlapping governmental liens (see “**BOND OWNERS’ RISKS – Risk Factors Relating to Tax Burden**” herein).

First Optional Redemption Date:

September 1, 2025, at 100% of principal amount (see “**THE BONDS - REDEMPTION**” herein).

## **THE DISTRICT**

### **Property Owners**

Owners of Property within the District:

285 Individual Owners  
101 parcels KB HOME Coastal

### **Appraised Value**

Appraised Value of Property within the District as of January 15, 2015:

\$93,000,000

Ratio of Appraised Value of property within the District to the aggregate principal amount of the District Bonds:

9.07\* to 1

### **Special Taxes**

Approximate ratio of the Maximum Special Taxes in the District in any Fiscal Year to the corresponding Annual Debt Service on the District Bonds:

1.10 to 1  
(see “**DEBT SERVICE COVERAGE – DEBT SERVICE COVERAGE ON THE DISTRICT BONDS**” herein).

Estimated Average Effective Tax Rate:

1.72%  
See “**BOND OWNERS’ RISKS – Risk Factors Relating to Tax Burden - Effective Tax Rate**” herein.

Special Tax collections in the District:

See “**DISTRICT ADMINISTRATION - DELINQUENCIES**” herein.

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\* Preliminary, subject to change.

# **ESTIMATED SOURCES AND USES OF FUNDS**

## **THE BONDS**

Proceeds from the sale of the Bonds will be used to provide funds to acquire the District Bonds in the aggregate principal amounts indicated below. Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

### **Sources of Funds**

Principal Amount of the Bonds  
Original Issue Discount / Premium  
Underwriter's Discount  
Net Bond Proceeds  
Other Available Funds <sup>(1)</sup>  
Total Available

### **Uses of Funds**

Bond Purchase Fund <sup>(2)</sup>  
Costs of Issuance Fund <sup>(3)</sup>  
Reserve Account <sup>(4)</sup>  
Cash Flow Management Fund <sup>(5)</sup>  
Total

(1) Includes moneys in the prior Reserve Fund and certain other prior funds.

(2) To be used to acquire the District Bonds.

(3) Expenses include fees of Bond Counsel, Special Tax Counsel, the Financing Consultant, Disclosure Counsel, Underwriter's Counsel, the Trustee, the City, costs of printing the Official Statement and other costs of issuance of the Bonds.

(4) Equal to the Reserve Requirement. See "**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Reserve Account**" herein.

(5) Equal to the Cash Flow Management Fund Requirement and funded from other available funds (see "**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Cash Flow Management Fund**" herein).

# THE DISTRICT BONDS

The District will deposit the proceeds from the District Bonds and other available funds as follows:

**Sources of Funds**

- Principal Amount of District Bonds
- Purchase Discount
- Net Bond Proceeds
- Other Available Funds
- Total Available

**Uses of Funds**

- Construction Fund
- Interest Account (Bond Fund)<sup>(1)</sup>
- Delinquency Management Fund <sup>(2)</sup>
- Costs of Issuance Fund <sup>(3)</sup>
- Total

(1) Interest is funded on the portion of the District Bonds allocable to the Undeveloped Property until September 1, 2016.

(2) Equal to the Delinquency Management Fund Requirement and funded from other available funds (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund**” herein).

(3) Costs of Issuance include fees of Bond Counsel, the Financing Consultant, Disclosure Counsel, Special Tax Consultant, the City, the Fiscal Agent and other costs related to the issuance of the District Bonds.

## DEBT SERVICE COVERAGE

### DEBT SERVICE COVERAGE ON THE BONDS

The Bonds are special obligations of the Authority payable solely from and secured by revenues from repayment of the District Bonds and certain funds and accounts established under the Indenture, including the Cash Flow Management Fund and the Reserve Account held by the Trustee. In addition, the Bonds may be payable from any available surplus revenues with respect to other series of local agency revenue bonds issued pursuant to the Indenture to the extent such surplus revenues are available to replenish the Reserve Account to its requirement and to fund the Cash Flow Management Fund to its requirement (see SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE BONDS – Application of Revenues; Flow of Funds” herein).

**PERRIS JOINT POWERS AUTHORITY  
LOCAL AGENCY REVENUE BONDS  
(CFD NO. 2006-2 (MONUMENT PARK ESTATES),2015 SERIES A  
DEBT SERVICE COVERAGE**

<u>Bond Year</u>	<u>2015 District Bond Debt Service Payments*</u>	<u>Debt Service Payments on the Bonds*</u>	<u>Coverage Ratio</u>
2015			100%
2016			100%
2017			100%
2018			100%
2019			100%
2020			100%
2021			100%
2022			100%
2023			100%
2024			100%
2025			100%
2026			100%
2027			100%
2028			100%
2029			100%
2030			100%
2031			100%
2032			100%
2033			100%
2034			100%
2035			100%
2036			100%
2037			100%
2038			100%
2039			100%
2040			100%
2041			100%
2042			100%
2043			100%
2044			100%
2045			100%

\* Preliminary, subject to change

## **DEBT SERVICE COVERAGE ON THE DISTRICT BONDS**

The following tables present the projected annual debt service coverage on the District Bonds based upon the realization of certain assumptions and the aggregate projected Special Tax within the District. In addition, the District Bonds may be payable from any moneys that may be available from the Delinquency Management Fund established and held pursuant to the Fiscal Agent Agreement (see **“SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Delinquency Management Fund”** herein). No allowance was made for delinquencies.

Pursuant to the Act, under no circumstances will the Special Tax levied against any parcel of developed property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcel within the District. Accordingly with respect to the District Bonds, the District may not be able to levy the maximum special tax within the District in certain circumstances.

The District covenants that no modification of the maximum authorized Special Tax for the District shall be approved by the District which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Special Taxes in each Fiscal Year after deductions for Administrative Expenses in an amount at least equal to 110% of annual debt service in such Fiscal Year for the District Bonds.

The receipt of Special Taxes is subject to several variables described herein. The District provides no assurance that the Special Tax and the coverage ratios shown will be achieved (see **“BOND OWNERS’ RISKS”** herein).

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
DISTRICT BONDS DEBT SERVICE COVERAGE**

<b>Bond Year Ending September 1</b>	<b>Total Projected Special Tax Levy</b>	<b>Less Administrative Expense</b>	<b>Net Available</b>	<b>Total District Bonds DS*</b>	<b>Percentage Coverage*</b>
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					

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\* Preliminary, subject to change

# SCHEDULED DEBT SERVICE SCHEDULES

## SCHEDULED DEBT SERVICE ON THE BONDS

The following is the scheduled debt service on the Bonds.

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>Bond Balance</u>
September 1, 2015						
March 1, 2016						
September 1, 2016						
March 1, 2017						
September 1, 2017						
March 1, 2018						
September 1, 2018						
March 1, 2019						
September 1, 2019						
March 1, 2020						
September 1, 2020						
March 1, 2021						
September 1, 2021						
March 1, 2022						
September 1, 2022						
March 1, 2023						
September 1, 2023						
March 1, 2024						
September 1, 2024						
March 1, 2025						
September 1, 2025						
March 1, 2026						
September 1, 2026						
March 1, 2027						
September 1, 2027						
March 1, 2028						
September 1, 2028						
March 1, 2029						
September 1, 2029						
March 1, 2030						
September 1, 2030						
March 1, 2031						
September 1, 2031						
March 1, 2032						
September 1, 2032						
March 1, 2033						
September 1, 2033						
March 1, 2034						
September 1, 2034						



**Scheduled Debt Service on the Bonds (Continued)**

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>Bond Balance</u>
March 1, 2035						
September 1, 2035						
March 1, 2036						
September 1, 2036						
March 1, 2037						
September 1, 2037						
March 1, 2038						
September 1, 2038						
March 1, 2039						
September 1, 2039						
March 1, 2040						
September 1, 2040						
March 1, 2041						
September 1, 2041						
March 1, 2042						
September 1, 2042						
March 1, 2043						
September 1, 2043						
March 1, 2044						
September 1, 2044						
March 1, 2045						
September 1, 2045						

## SCHEDULED DEBT SERVICE ON THE DISTRICT BONDS

The following is the scheduled debt service on the District Bonds.

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>Bond Balance</u>
September 1, 2015						
March 1, 2016						
September 1, 2016						
March 1, 2017						
September 1, 2017						
March 1, 2018						
September 1, 2018						
March 1, 2019						
September 1, 2019						
March 1, 2020						
September 1, 2020						
March 1, 2021						
September 1, 2021						
March 1, 2022						
September 1, 2022						
March 1, 2023						
September 1, 2023						
March 1, 2024						
September 1, 2024						
March 1, 2025						
September 1, 2025						
March 1, 2026						
September 1, 2026						
March 1, 2027						
September 1, 2027						
March 1, 2028						
September 1, 2028						
March 1, 2029						
September 1, 2029						
March 1, 2030						
September 1, 2030						
March 1, 2031						
September 1, 2031						
March 1, 2032						
September 1, 2032						
March 1, 2033						
September 1, 2033						
March 1, 2034						
September 1, 2034						

**Scheduled Debt Service on the District Bonds (Continued)**

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Annual Debt Service</u>	<u>Bond Balance</u>
March 1, 2035						
September 1, 2035						
March 1, 2036						
September 1, 2036						
March 1, 2037						
September 1, 2037						
March 1, 2038						
September 1, 2038						
March 1, 2039						
September 1, 2039						
March 1, 2040						
September 1, 2040						
March 1, 2041						
September 1, 2041						
March 1, 2042						
September 1, 2042						
March 1, 2043						
September 1, 2043						
March 1, 2044						
September 1, 2044						
March 1, 2045						
September 1, 2045						

# THE BONDS

## GENERAL PROVISIONS

### Repayment of the Bonds

Interest is payable on the Bonds at the rates per annum set forth on the inside cover page hereof. Interest with respect to the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Each Bond will be dated the date of delivery, and interest with respect thereto will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest with respect thereto will be payable from such Interest Payment Date; (b) it is authenticated on or before August 15, 2015, in which event interest with respect thereto will be payable from the date of delivery; or (c) interest with respect to any Outstanding Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the Bonds will be payable by check of the Trustee mailed by first-class mail on the Interest Payment Date to the Owners thereof, *provided* that in the case of an Owner of \$1,000,000 or greater in principal amount of Outstanding Bonds, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the continental United States of America in accordance with written instructions provided prior to the Record Date to the Trustee by such Owner. The Owners of the Bonds shown on the registration books on the Record Date for the Interest Payment Date will be deemed to be the Owners of the Bonds on said Interest Payment Date for the purpose of the paying of interest. Principal of the Bonds and any premium upon early redemption is payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Los Angeles, California.

### Transfer or Exchange of Bonds

Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture, upon surrender of such Bond for cancellation at the corporate trust office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount of authorized denominations. The Trustee may require the payment by the Bond Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange (a) any Bonds or portions thereof during the period established by the Trustee for selection of Bonds for redemption, or (b) any Bonds selected for redemption.

### Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond becomes mutilated, the Authority, at the expense of the Bond Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled and destroyed by it. If any Bond issued under the Indenture is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the Authority and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, the Authority, at the expense of the Bond Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment by the Bond Owner of a sum not exceeding the actual cost of preparing each new Bond

issued under the provisions of the Indenture described in this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture described in this paragraph in lieu of any Bond alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

## **REDEMPTION**

Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or any special mandatory redemption, in part, the Authority shall deliver a Written Certificate (as defined in the Indenture) to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues to be available, will be sufficient on a timely basis to pay debt service on the Bonds.

The Authority is required, in such Written Certificate, to certify to the Trustee that sufficient moneys for purposes of such redemption are or will be on deposit in the Redemption Fund and to deliver such moneys to the Trustee, together with other Redemption Revenues, if any, then to be delivered to the Trustee pursuant to the Indenture, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Redemption Revenues.

### **Optional Redemption**

The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 2025, as a whole or in part, from such maturities as selected by the Authority and by lot within a maturity, from any available source of funds at 100% of the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption.

### **Mandatory Sinking Payment Redemption**

The Bonds maturing September 1, 2035 and September 1, 2045, are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 2031, with respect to the Bonds maturing September 1, 2035, and September 1, 2036, with respect to the Bonds maturing September 1, 2045, from mandatory sinking payments made by the Authority pursuant to the Indenture at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the Authority and tendered to the Trustee, and (ii) if some but not all of the Bonds have been redeemed pursuant to optional redemption, special mandatory or mandatory redemption provisions described herein, the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 as determined by the Authority.

#### **SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS BONDS MATURING SEPTEMBER 1, 2035**

<b>September 1 <u>Year</u></b>	<b><u>Principal Amount*</u></b>	<b>September 1 <u>Year</u></b>	<b><u>Principal Amount*</u></b>
2031		2034	
2032		2035	
2033			

\* Preliminary, subject to change.

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS  
BONDS MATURING SEPTEMBER 1, 2045**

<b>September 1 Year</b>	<b>Principal Amount*</b>	<b>September 1 Year</b>	<b>Principal Amount*</b>
2036		2041	
2037		2042	
2038		2043	
2039		2044	
2040		2045	

**Special Mandatory Redemption**

The Bonds are subject to mandatory redemption prior to maturity on any date on or after September 1, 2015, in whole or in part from such maturities as selected by the Authority and by lot within a maturity, from the redemption of the District Bonds from amounts constituting prepayments of the related “special taxes” and from amounts transferred from the Delinquency Management Fund under the Fiscal Agent Agreement and from amounts transferred by the Authority to the District from the Cash Flow Management Fund under the Indenture at the following redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed), together with accrued interest thereon to the date fixed for redemption.

<b><u>Redemption Periods</u></b>	<b><u>Redemption Prices</u></b>
September 1, 2015 through August 31, 2025	102.0%
September 1, 2025 and thereafter	100.0%

**Open Market Purchase of Bonds**

In lieu of redemption of any Bond, the Trustee may, at any time and upon Written Request of the Authority, use and withdraw amounts on deposit in the Revenue Fund for the purchase of such Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Authority may in its discretion determine in accordance with all applicable laws and in accordance with the priority afforded the relative Bond under the Indenture.

**Notice of Redemption; Rescission**

When redemption is authorized or required, written notice of redemption is required to be mailed by the Trustee to the Bond Owners of any Bonds designated for redemption at their addresses appearing on the bond registration books, to the Securities Depositories, and to one or more of the Information Services, all as provided in the Indenture, by first-class mail, postage prepaid, no less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date.

If at the time of mailing of any notice of optional redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of sufficient moneys for redemption with the Trustee not later than the opening of business on the redemption date and will be of no effect unless such moneys are so deposited.

\* Preliminary, subject to change.

In addition to the foregoing notice, further notice will be given by the Trustee to any Bond Owner whose Bond has been called for redemption but who has failed to tender his or her Bond for payment by the date which is sixty (60) days after the redemption date, but no defect in such further notice will in any manner defeat the effectiveness of a call for redemption.

The Authority shall have the right to rescind any optional redemption or special mandatory redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of such redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee shall have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

### **Effect of Redemption**

The rights of a Bond Owner to receive interest will terminate on the date, if any, on which the Bond is to be redeemed pursuant to a call for redemption. The Indenture contains no provisions requiring any publication of notice of redemption, and Bond Owners must maintain a current address on file with the Trustee to receive any notices of redemption.

### **Partial Redemption**

In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the Trustee will authenticate and deliver to the Bond Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same maturity date of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

## **INVESTMENT OF FUNDS**

All moneys in any of the funds or accounts established with the Trustee, pursuant to the Indenture, or the Fiscal Agent, pursuant to the Fiscal Agent Agreement, will be invested solely in Permitted Investments (as defined in the Indenture or Fiscal Agent Agreement, as applicable), as directed pursuant to the Written Request of the Authority or the District filed with the Trustee or the Fiscal Agent at least two (2) Business Days (as defined in the Indenture) in advance of the making of such investments. In the absence of any such Written Request, the Trustee will invest any such moneys in money market funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund will be calculated at the fair market value thereof (excluding any accrued interest). Investment of funds and accounts subject to yield restrictions under applicable provisions of the Internal Revenue Code shall be valued at their present value.

## **ADDITIONAL OBLIGATIONS**

### **The Authority**

Except for refunding purposes, additional bonds secured by the Revenues are not authorized.

### **The District**

Pursuant to the provisions of the Fiscal Agent Agreement, the District is not authorized to issue additional bonds except for refunding purposes.

# SOURCES OF PAYMENT FOR THE BONDS

## REPAYMENT OF THE BONDS

### General

The Bonds are payable solely from and secured by payment of the District Bonds, the Cash Flow Management Fund and the Reserve Account held pursuant to the Indenture and certain investment earnings on the funds and accounts held under the Indenture. In addition, the Bonds may be payable from any available surplus revenues with respect to other series of local agency revenue bonds in the event of a shortfall of Revenues available to pay debt service to the extent the Authority determines to loan such funds.

**The Bonds are special obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds and the interest thereon from the funds described herein, and neither the faith and credit nor the taxing power of the City or the District, except to the limited extent described herein, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.**

### Application of Revenues; Flow of Funds

**Revenue Fund.** The Trustee will deposit all Revenues (excluding Redemption Revenues) upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust under the Indenture.

**Deposit of Revenues; Bond Fund.** The Trustee will establish, maintain and hold in trust a separate fund entitled the "Bond Fund." Within the Bond Fund, the Trustee will establish, maintain and hold in trust separate special accounts entitled "Interest Account," "Principal Account" and "Reserve Account." On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund for deposit into the Bond Fund the amounts and in the priority set forth below.

**Application of Revenues; Bond Fund.** On or before each Interest Payment Date, the Trustee will transfer from the Revenue Fund and deposit into the Bond Fund and the following special accounts therein, the following amounts in the following order of priority, the requirements of each such special account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority;

*Interest Account.* On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity).

*Principal Account.* On or before each date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the aggregate amount of principal (including sinking fund payments) coming due and payable on such date on the Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds (including sinking fund payments).

*Reserve Account.* All amounts on deposit in the Revenue Fund on or before each Interest Payment Date, to the extent not required to pay any interest on or principal of any Outstanding Bonds then



having come due and payable, shall be credited to the replenishment of the Reserve Account in an amount sufficient to maintain the Reserve Requirement therein.

The Authority is required to deposit from the repayment of the District Bonds (and to the extent necessary and if permitted by law, from available surplus revenues with respect to other series of bonds issued by the Authority relating to community facilities districts) and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys (including amounts in the Cash Flow Management Fund) are not available therefor. Earnings on amounts in the Reserve Account in excess of the Reserve Requirement shall be deposited into the Revenue Fund, if and to the extent such earnings are not required to be retained in the Reserve Account to meet the Reserve Requirement. Upon redemption of Bonds, amounts on deposit in the Reserve Account shall be reduced (to an amount not less than the Reserve Requirement) and the excess moneys shall be transferred to the Redemption Fund and used for the redemption of the Bonds. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds.

**Surplus.** All remaining amounts on September 2 (or the next Business Day to the extent September 2 is not a Business Day) of each year, commencing September 2, 2015, on deposit in the Revenue Fund shall be transferred to the Cash Flow Management Fund.

### **Reserve Account**

In order to secure further the timely payment of principal of and interest on the Bonds, the Authority is required, upon delivery of the Bonds, to deposit in the Reserve Account for the Bonds an amount equal to the Reserve Requirement. The Reserve Requirement means with respect to the Bonds the least of (i) 10% of the initial proceeds of the Bonds (within the meaning of section 148 of the Code), (ii) Maximum Annual Debt Service, or (iii) 125% of the average Annual Debt Service as of the date of issuance, **provided, however, the Reserve Requirement on any calculation date shall not be greater than the Reserve Requirement amount as of the date of issuance.**

The amount of Bond proceeds deposited into the Reserve Account will be in an amount equal to \$799,837.50\* (see “**ESTIMATED SOURCES AND USES OF FUNDS – THE BONDS**” herein). Thereafter, the Authority is required to deposit any amounts received from the District for replenishment of the Reserve Account and maintain an amount of money equal to the Reserve Requirement in the Reserve Account at all times while the Bonds are Outstanding. Amounts in the Reserve Account will be used to pay debt service on the Bonds to the extent other moneys are not available therefor (including amounts in the Cash Flow Management Fund). Amounts in the Reserve Account in excess of the Reserve Requirement will be deposited into the Revenue Fund. Amounts in the Reserve Account may be used to pay the final year's debt service on the Bonds (see “**APPENDIX A - SUMMARY OF THE INDENTURE**”). Upon redemption, amounts on deposit in the Reserve Account shall be reduced (to an amount not less than the Reserve Requirement) and excess money shall be transferred to the Redemption Fund and used for the redemption of Bonds.

### **Cash Flow Management Fund**

On September 2 of each year (or the next business day to the extent September 2 is not a business day), commencing September 2, 2015, the Trustee shall transfer any amounts remaining in the Revenue Fund to the Cash Flow Management Fund (as defined in the Indenture). The Cash Flow Management Fund may also be funded at the election of the Authority from any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority to the extent such surplus revenues are loaned to replenish the Cash Flow Management Fund to its requirement. Amounts, if any, deposited into the Cash Flow Management Fund shall be applied for the following purposes in the following order of priority:

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\* Preliminary, subject to change.

- (i) The Trustee shall, prior to any draw on the Reserve Account, pay debt service on the Bonds to the extent Revenues are insufficient for such purpose.
- (ii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority to the extent any surplus revenues from such other series of local agency revenue bonds were loaned to replenish the Cash Flow Management Fund.
- (iii) Upon the written direction of the Authority, the Trustee shall transfer any amounts in the Cash Flow Management Fund to the trustee of any other series of local agency revenue bonds issued by the Authority in an amount estimated by the Authority to be necessary to prevent a shortfall in the amount required to pay debt service on such other series of local agency revenue bonds or to the fiscal agent of any local agency bonds issued by the City on behalf of a district an amount estimated by the Authority necessary to prevent a shortfall in the amount required to pay debt service on such local agency bonds; all such transfers shall be treated as loaned amounts.
- (iv) Upon the written direction of the Authority, the Trustee shall transfer such amounts as may be directed by the Authority for deposit in the Redemption Fund.
- (v) The Trustee shall transfer all remaining amounts in the Cash Flow Management Fund in excess of the Cash Flow Management Fund Requirement to the Fiscal Agent for the District Bonds for deposit in the Delinquency Management Fund.

The Cash Flow Management Fund Requirement is 15% (\$119,975.63\*) of maximum annual debt service on the Bonds. There will be an initial deposit from other available funds of \$119,975.63 into the Cash Flow Management Fund.

### **Redemption Fund**

The Trustee will establish as a separate fund to be called the “Redemption Fund,” to the credit of which the Authority shall deposit, immediately upon receipt, all Redemption Revenues. Moneys in the Redemption Fund shall be held in trust by the Trustee for the benefit of the Authority and the Owners of the Bonds and shall be used to redeem Bonds (except for mandatory sinking fund redemption) pursuant to the Indenture.

## **REPAYMENT OF THE DISTRICT BONDS**

### **General**

The principal of, premium, if any, and the interest on the District Bonds and the Administrative Expenses of the District, are payable from the Special Taxes collected on real property within the District and funds, including any amounts available in the Delinquency Management Fund (as defined in the Fiscal Agent Agreement), held by the Fiscal Agent and available for such purposes pursuant to the Fiscal Agent Agreement.

The District Bonds are secured by a first pledge of all of the Special Tax Revenues and Redemption Revenues and all moneys deposited in the Bond Fund and, until disbursed, as provided in the Fiscal Agent Agreement, in the Special Tax Fund, the Redemption Fund and the Delinquency Management Fund. The Special Tax Revenues and all moneys deposited into said funds are dedicated to the payment of the principal of, and interest and any premium on the District Bonds.

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\* Preliminary, subject to change.

**The District Bonds are limited obligations of the District payable from the proceeds of Special Taxes levied on certain parcels within the District. The District Bonds shall not be deemed to constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the District to the limited extent set forth in the Fiscal Agent Agreement. Neither the faith and credit nor the taxing power of the City, the District, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds except to the limited extent provided herein.**

### **Special Taxes**

The Special Taxes are excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a “special tax” authorized by at least a two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City Council of the City (the “City Council”), on behalf of the District, has the power and is obligated by the Fiscal Agent Agreement to cause the levy and collection of the Special Taxes.

The District has covenanted in the Fiscal Agent Agreement to levy (subject to the limits set forth in the Rate and Method of Apportionment) in each fiscal year the Special Taxes in an amount sufficient to pay the debt service on the District Bonds, including an allowance for delinquencies, and the cost of providing for administrative expenses of the District and the Authority.

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment and the Act as described in the section entitled “**THE SPECIAL TAXES**” herein.

Although the Special Taxes will constitute a lien on parcels of real property within the District, they do not constitute a personal indebtedness of the owner(s) of real property within the District. There is no assurance that the property owner(s), or any successors and/or assigns thereto or subsequent purchaser(s) of land within the District, will be able to pay the annual Special Taxes or if able to pay the Special Taxes that they will do so (see “**BOND OWNERS’ RISKS**” herein).

The Special Taxes are required to be collected by the County of Riverside Tax Collector in the same manner and at the same time as regular *ad valorem* property taxes are collected by the Tax Collector of the County. When received, such Special Taxes will be transferred by the City to the Fiscal Agent as soon as possible after receipt. Moneys in the Special Tax Fund (as defined in the Fiscal Agent Agreement) are held in trust for the benefit of the District and owners of the District Bonds and disbursed pursuant to the Fiscal Agent Agreement.

### **Application of Special Taxes; Flow of Funds**

**Special Tax Fund.** There is established as a separate fund under the Fiscal Agent Agreement to be held by the Fiscal Agent, the “Special Tax Fund,” to the credit of which the Fiscal Agent, on behalf of the District, will deposit, immediately upon receipt, all Special Tax Revenues received by the District or the City on behalf of the District. Moneys in the Special Tax Fund are held in trust by the Fiscal Agent for the benefit of the District and the Owners of the Bonds, and disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the Bonds.

**Disbursements:** After depositing an amount of Special Tax Revenues budgeted for Administrative Expenses to the Administrative Expense Fund pursuant to a written direction of the District, no later than ten (10) Business Days prior to each Interest Payment Date, the Fiscal Agent shall withdraw from the Special Tax Fund and transfer such funds as follows:

- (i) The Fiscal Agent will deposit into the Interest Account an amount which, together with the amount then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make the payment of interest on the District Bonds on the next Interest Payment Date.

(ii) The Fiscal Agent will deposit into the Principal Account an amount which, together with the amount then on deposit therein, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or sinking account payment coming due and payable on the next Interest Payment Date on the Outstanding District Bonds upon the stated maturity or redemption thereof.

### **Delinquency Management Fund**

Amounts, if any, deposited into the Delinquency Management Fund shall be applied for the following purposes in the following order of priority:

- (i) The Fiscal Agent shall transfer to the appropriate account within the Bond Fund amounts to pay debt service on the District Bonds to the extent Special Taxes are insufficient for such purpose.
- (ii) The Fiscal Agent shall transfer from any amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Administrative Expense Fund an amount determined by the District to pay Administrative Expenses to the extent amounts in the Administrative Expense Fund are insufficient therefore.
- (iii) Upon the written direction of the District, the Fiscal Agent shall transfer all remaining amounts in the Delinquency Management Fund in excess of the Delinquency Management Fund Requirement to the Special Mandatory Redemption Account of the Redemption Fund for redemption of the Bonds on the next redemption date for which notice of redemption can be timely given, unless the Fiscal Agent has received written direction from the District to expend such remaining funds held in the Delinquency Management Fund for any lawful purposes of the District including, but not limited to, paying costs of public capital improvements or reducing the Special Taxes which are to be levied in the current or the succeeding Fiscal Year upon the properties which are subject to the Special Tax.

The Delinquency Management Fund Requirement is 15% (\$119,975.63) of Maximum Annual Debt Service on the District Bonds. On the delivery date of the District Bonds, there will be an initial deposit to the Delinquency Management Fund of \$119,975.63\* from other available funds (see “**ESTIMATED SOURCES AND USES OF FUNDS – THE DISTRICT BONDS**”).

### **Redemption Fund**

The Fiscal Agent will establish a “Redemption Fund” in which there shall be established and created an Optional Redemption Account and a Special Mandatory Redemption Account, to the credit of which the District or the City, on behalf of the District, will deposit, immediately upon receipt, all Redemption Revenues received by the District or the City on behalf of the District. Moneys in the Redemption Fund will be disbursed as provided below and, pending any disbursement, shall be subject to a lien in favor of the Owners of the District Bonds.

1. All prepayments of Special Taxes, any amounts transferred pursuant to the Indenture for the redemption of District Bonds, and amounts transferred from the Delinquency Management Fund for the redemption of the District Bonds will be deposited in the Special Mandatory Redemption Account to be used to redeem the District Bonds on the next date for which notice of redemption can timely be given.
2. Any moneys deposited for the optional redemption of the District Bonds will be deposited into the Optional Redemption Account to be used to redeem the District Bonds on the next date for which notice of redemption can timely be given.

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\* Preliminary, subject to change.

## **Covenant for Superior Court Foreclosure**

The District will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Authority Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notice of delinquency and a demand for immediate payment thereof.

Notwithstanding any provision of the Act or other law of the State to the contrary, in connection with any foreclosure related to delinquent Special Taxes:

- (A) The District, or the Fiscal Agent, is expressly authorized under the Fiscal Agent Agreement to credit bid at any foreclosure sale, without any requirement that funds be placed in the Bond Fund or otherwise be set aside in the amount so credit bid, in the amount specified in Section 53356.5 of the Act or such lesser amount as determined under clause (B) below or otherwise under Section 53356.6 of the Act.
- (B) The District may permit, in its sole and absolute discretion, property with delinquent Special Tax payments to be sold for less than the amount specified in Section 53356.5 of the Act if it determines that such sale is in the interest of the Bond Owners. The bond owners, by their acceptance of the District Bonds, consent to such sale for such lesser amounts (as such consent is described in Section 53356.6 of the Act), and release the District, the City and their officers and agents from any liability in connection therewith.
- (C) The District is expressly authorized under the Fiscal Agent Agreement to use amounts in the Special Tax Fund to pay costs of foreclosure of delinquent Special Taxes.
- (D) The District may forgive all or any portion of the Special Taxes levied or to be levied on any parcel in the District, so long as the District determines that such forgiveness is not expected to adversely affect its obligation to pay principal of and interest on the District Bonds under the Fiscal Agent Agreement.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not require the District or the City to purchase or otherwise acquire any lot or parcel of property sold at the foreclosure sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Act specify the priority relationship, if any, between the Special Taxes and other taxes and assessment liens.

The property in the District is also subject to several overlapping liens. A default in the payment of Special Taxes in the District is also likely to result in a default in the payment of other overlapping liens. Since the liens of other overlapping special districts are on a parity with the Special Taxes, the foreclosure of the lien of the Special Taxes will not extinguish the liens of the other overlapping special districts.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners of one or more Special Tax installments, there can be no assurance that there would be available to the District sufficient funds to pay when due the principal of, interest on and premium, if any, on the District Bonds (see **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Foreclosure and Sale Proceedings,” “BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes - Bankruptcy and Foreclosure Delays”** and **“BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes - Property Controlled by Federal Deposit Insurance Corporation and Other Federal Agencies”** herein).

## **BOND OWNERS' RISKS**

BEFORE PURCHASING ANY OF THE BONDS, PROSPECTIVE INVESTORS AND THEIR PROFESSIONAL ADVISORS SHOULD CAREFULLY CONSIDER, AMONG OTHER THINGS, THE FOLLOWING RISK FACTORS, WHICH ARE NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS. MOREOVER, THE ORDER OF PRESENTATION OF THE RISK FACTORS DOES NOT NECESSARILY REFLECT THE ORDER OF THEIR IMPORTANCE.

*The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters.*

### **THE BONDS**

The ability of the Authority to pay the principal of and interest on the Bonds depends upon the receipt by the Trustee of sufficient Revenues from repayment of the District Bonds, amounts on deposit in the Cash Flow Management Fund, the Reserve Account and interest earnings on amounts in the funds and accounts for the Bonds established by the Indenture. A number of risks that could prevent the District from repaying the District Bonds are outlined below.

#### **No Liability of the Authority to the Bond Owners**

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the District Bonds, or with respect to the observance or performance by the District of other agreements, conditions, covenants and terms required to be observed or performed by it under the District Bonds, the Fiscal Agent Agreement or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

#### **Loss of Tax Exemption**

As discussed under the caption “**LEGAL MATTERS - TAX EXEMPTION**” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority or the District in violation of their covenants contained in the Indenture and the Fiscal Agent Agreement. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

#### **IRS Audits**

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

#### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

## Early Bond Redemption

The Bonds are subject to optional, special mandatory and mandatory redemption prior to their stated maturities. Special mandatory redemption may occur on any date commencing September 1, 2015 (see “THE BONDS - REDEMPTION” herein).

## THE DISTRICT BONDS

### Risk Factors Relating to Real Estate Market Conditions

**Risks of Real Estate Secured Investments Generally.** The Bond Owners will be subject to the risks generally incident to an investment secured by real estate, including, without limitation, (i) adverse changes in local market conditions, such as changes in the market value of real property in the vicinity of the District, the supply of or demand for competitive properties in such area, and the market value of residential property in the event of sale or foreclosure; (ii) changes in real estate tax rate and other operating expenses, governmental rules (including, without limitation, zoning laws and laws relating to endangered species and hazardous materials) and fiscal policies; (iii) natural disasters (including, without limitation, earthquakes, wild fires and floods), which may result in uninsured losses and (iv) the imposition of overlapping debt by special districts or other public agencies.

### Risk Factors Relating to Land Values

**Land Values.** If a property owner defaults in the payment of the Special Tax, the District’s only remedy is to commence foreclosure proceedings against the defaulting property owner’s real property within the District for which the Special Tax has not been paid in an attempt to obtain funds to pay the delinquent Special Tax. Therefore, the value of the land and improvements within the District is a critical factor in determining the investment quality of any series of bonds issued by or for the District. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax.

The District had the following study prepared in order to estimate the current market value of land in the District.

1. Appraisal Report Community Facilities District No. 2006-2 (Monument Park Estates), 2015 Special Tax Bonds, prepared by Harris Realty Appraisal, Newport Beach, California (the “Appraiser”), with a January 15, 2015, date of value (the “Appraisal Report” herein).

The purpose of the Appraisal was to estimate “Minimum Market Value” of the property within the District in its “as is” condition.

The Appraisal Report was prepared in accordance with and subject to the requirements of the *Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

On the basis of the assumptions and limitations described in the Appraisal Report, the Appraiser has estimated the “as is” Minimum Market Value of the land and improvements in the District, as of January 15, 2015, to be as shown below.

Total District: \$93,000,000

285 Individual Homeowners: \$80,000,000

KB HOME Coastal (101 parcels): \$13,000,000

Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels in the District. Upon sale of parcels, the buyer acquires the



property subject to the unpaid portion of any special taxes and assessments levied against the parcel purchased.

**Potential purchasers of the Bonds should be aware that if a parcel bears a Special Tax liability in excess of its market value, then there may be little incentive for the owner of the parcel to pay the Special Taxes on such parcel and little likelihood that such property would be purchased in a foreclosure sale.**

Prospective purchasers of the Bonds should not assume that the land and improvements could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In particular, the values of individual properties in the District will vary, in some cases significantly. The actual value of the land is subject to future events which might render invalid some or all of the basic assumptions of the Appraiser. The future value of the land can be expected to fluctuate due to many different, not fully predictable, real estate related investment risk factors, including, but not limited to: general tax law changes related to real estate, changes in competition, general area employment base changes, population changes, changes in real estate related interest rates affecting general purchasing power, advertising, changes in allowed zoning uses and density, natural disasters such as floods, earthquakes and landslides, and similar factors.

Appraisals in general are the result of an inexact process, and estimated market value is dependent, in part, upon assumptions which may or may not be realized and upon market conditions and perceptions of market value, which are likely to change over time. The appraisal valuations represent opinions only and are not intended to be absolutes or assurances of specific resale values. If more than one appraiser were employed, it is reasonable to assume that a reasonable range of value opinions on the land and improvement value within the District would be reflected depending upon personal professional interpretation of data, facts and circumstances reviewed and assumptions employed.

Prospective purchasers should not assume that the land could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes.

*A copy of the Appraisal Report is included as Appendix D hereto. The summary herein of some of the conclusions in the Appraisal Report does not purport to be complete. Reference is made to the Appraisal Report for further information. The District makes no representations as to the value of the real property within the District, and prospective purchasers of the Bonds are referred to the Appraisal Report referenced above in evaluating the value of real property within the District.*

**Earthquakes.** Southern California is among the most seismically active regions in the United States of America. The occurrence of seismic activity in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of Special Taxes.

**Geologic, Topographic and Climatic Conditions.** The value of the taxable property in the District in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the parcels of taxable property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides, liquefaction, floods or fires, and climatic conditions such as tornadoes, droughts, and the possible reduction in water allocation or availability. It is possible that one or more of the conditions referenced above may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate

habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Taxable Property may well depreciate or disappear.

### **Risk Factors Relating to the Levying and Collection of the Special Taxes**

**Insufficiency of Special Taxes.** As discussed herein, the amount of Special Taxes that are collected within the District could be insufficient to pay principal of, interest and premium, if any, on the District Bonds due to nonpayment of the Special Taxes levied and insufficient or lack of proceeds received from a foreclosure sale of land within the District.

The District has covenanted in the Fiscal Agent Agreement to institute foreclosure proceedings upon delinquencies in the payments of the Special Taxes as described herein and to sell any real property with a lien of delinquent Special Taxes to obtain funds to pay debt service on the District Bonds (see “**DISTRICT ADMINISTRATION – DELINQUENCIES**” herein). If foreclosure proceedings are ever instituted, any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest. See “**SOURCES OF PAYMENT FOR THE BONDS - REPAYMENT OF THE DISTRICT BONDS - Covenant for Superior Court Foreclosure**” herein for provisions which apply in the event foreclosure is required and which the District is required to follow in the event of delinquency in the payment of Special Taxes.

**Maximum Rates.** Within the limits of the Rate and Method of Apportionment, the District may adjust the Special Tax levied on all property in the District to provide an amount required to pay debt service on the District Bonds and other obligations of the District, to pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and the amount, if any, necessary to pay all annual Administrative Expenses and make rebate payments to the United States government. However, the amount of the Special Taxes that may be levied against particular categories of property in the District is subject to the maximum rates provided in the Rate and Method of Apportionment. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the Fiscal Agent Agreement.

**No Personal Liability for Special Taxes.** No property owner will be personally liable for the payment of the Special Taxes to be applied to pay the principal of and interest on the District Bonds. In addition, there is no assurance that any property owner will be able to pay the Special Taxes or that any property owner will pay such Special Taxes even if it is financially able to do so.

Payment of the Special Taxes is dependent upon the current and future property owners’ ability or willingness to pay Special Taxes assessed on their property in the District (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Real Estate Market Conditions – Land Values**” herein). The only asset of the current property owners or future property owners which constitutes security for the District Bonds is their property holdings assessed within the District.

**Concentration of Ownership.** As of January 15, 2015, there was one major property owner (KB HOME Coastal – 101 parcels) and 285 individual homeowners within the District. Payment of the Special Taxes is dependent upon the current and future property owners’ willingness to pay Special Taxes assessed on their property in the District (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Real Estate Market Conditions – Land Values**” and “**-No Personal Liability for Special Taxes**” above). The only asset of the current property owners or future property owners which constitutes security for the District Bonds is their property holdings assessed within the District. There are expected to be transfers of ownership of the property within the District to individual owners of single family homes during the development of the land within the District. During the period of time a significant portion of the land in the District is owned by a limited number of property owners there is a substantial risk to the Bond Owners that such limited number of owners will not pay their Special Taxes.

No assurance can be made that KB HOME Coastal, or its successors, will complete the remaining construction and development in the District as described in this Official Statement. As a result, no assurance can be given that KB HOME Coastal, or its successors, will pay Special Taxes in the future or

that they will be able to pay such Special Taxes on a timely basis (see “**Bankruptcy and Foreclosure Delays**” below).

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

**Foreclosure and Sale Proceedings.** In order to pay debt service on the District Bonds, it is necessary that the Special Tax levied against land within the District be paid in a timely manner. The District has covenanted in the Fiscal Agent Agreement under certain conditions to institute foreclosure proceedings against property with delinquent Special Taxes in order to obtain funds to pay debt service on the District Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest.

In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the Authority, as the owner of the District Bonds, pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS - Covenant for Superior Court Foreclosure**” herein).

Sufficiency of the foreclosure sales proceeds to cover the delinquent amount depends in part upon the market for and the value of the parcel at the time of the foreclosure sale (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values**” above).

The current assessed value is some evidence of such future value. However, future events may result in significant changes from the current assessed value. Such events could include a downturn in the economy, as well as a number of additional factors. Any of these factors may result in significant erosion in value, with consequent reduced security of the District Bonds and, consequently, the Bonds.

Sufficiency of foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. A variety of governmental liens may presently exist or may arise in the future with respect to a parcel which, unless subordinate to the lien securing the Special Taxes, may effectively reduce the value of such parcel. The property in the District is also subject to several overlapping liens.

Failure to institute timely foreclosure proceedings or actions by property owners to prevent foreclosure may cause delay or inability to foreclosure under the law.

Timely foreclosure and sale proceedings with respect to a parcel may be forestalled or delayed by a stay in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Further, should the stay not be lifted, payment of Special Taxes may be subordinated to bankruptcy law priorities.

**Bankruptcy and Foreclosure Delays.** The payment of the Special Taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds and the District Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the

rights of creditors generally and limitations on remedies against governmental entities in the State of California.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other owner of a property within the District could result:

1. in a delay in prosecuting superior court foreclosure proceedings;
2. in loss of priority of the lien securing any Special Taxes with respect to Special Taxes levied while bankruptcy proceedings are pending;
3. in the amount of any lien on property securing the payment of delinquent Special Taxes being reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could be treated as an unsecured claim by the court; and/or
4. the Bankruptcy Code might prevent moneys on deposit in the funds and accounts created under the Fiscal Agent Agreement from being applied to pay interest or principal on the District Bonds and/or to redeem District Bonds if bankruptcy proceedings were brought by or against the property owner and if the court found that the property owner had an interest in such moneys within the meaning of Section 541(a)(1) of the Bankruptcy Code.

Such delay or loss of priority or non-payment would increase the likelihood of a delay or default in payment of the principal of and interest on the District Bonds and the possibility of delinquent Special Tax installments not being paid in full.

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

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

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

It should also be noted that on October 22, 1994, Congress enacted 11 U.S. C. Section 362(b)(18), which added an exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bond Owners should be aware that the potential effect of 11 U.S. C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

**Disclosure to Future Land Buyers.** A “Notice of Special Tax Lien” (the “Notice”) for the District has been recorded pursuant to Section 53328.3 of the Act and Section 3114.5 of the Streets and Highways Code, with the County Recorder for the County (the “County Recorder”). The Notice sets forth, among other things, the Rate and Method of Apportionment, the legal description of property within the District as of the date of recording the Notice, and the boundaries of the District by reference to the map(s) recorded with the County Recorder. While title insurance and search companies normally refer to such notices in title reports, and sellers of property within the District are required to give prospective buyers a notice of special tax in accordance with Sections 53360.2 or 53341.5 of the Act, there can be no assurances that such reference will be made or notice given, or if made or given, that prospective purchasers or lenders will consider such Special Tax obligation in the purchase of land within the District or the lending of money thereon. Failure to disclose the existence of the Special Tax may affect the willingness and ability of future landowners within the District to pay the Special Tax when due.

**Exempt Properties.** Certain properties are exempt from the Special Tax in accordance with the Rate and Method of Apportionment and provisions of the Act. The Act provides that properties or entities of the State, federal or local government at the time of formation of the District are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through negotiated transactions, or by gift or devise, which is not otherwise exempt from the Special Tax, will continue to be subject to the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity, such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax may be reallocated to the remaining taxable properties within the District. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax; however, the amount of Special Tax to be levied and collected from the property owner is subject to the Maximum Special Tax as set forth in the Rate and Method of Apportionment and to the limitation in the Act that under no circumstances may the Special Taxes levied on any residential parcel be increased by more than ten percent as a consequence of delinquency by the owner of any parcel. If a substantial portion of land within the District became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay the principal of and interest on the District Bonds when due and a default would occur with respect to the payment of such principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax. The Act would prohibit the City Council, acting as the legislative body of the District, from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council, acting as the legislative body of the District, determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the District Bonds (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Governmental Rules, Initiatives, Etc. - Right to Vote on Taxes Act**” below).

**Property Controlled by Federal Deposit Insurance Corporation and Other Federal Agencies.** The District’s ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies has or obtains an interest. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed

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

The Policy Statement states that the FDIC generally will not pay non-*ad valorem* taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act, and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC's federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation (the "RTC") on December 31, 1995, or that became property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes, including the Special Taxes which secure the District Bonds, may be challenged by the FDIC.

The Authority and the District are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the Authority and the District will be unable to foreclose on any parcel owned by the FDIC. The Authority has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

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

Moreover, unless Congress has otherwise provided, if the federal government has a mortgage interest in the parcel and the District wishes to foreclose on the parcel as a result of delinquent Special Taxes, the property cannot be sold at a foreclosure sale unless it can be sold for an amount sufficient to pay delinquent taxes and assessments on a parity with the Special Taxes and preserve the federal government's mortgage interest.

## **Risk Factors Relating to Tax Burden**

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

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

**Additional Taxation.** On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of repaying certain new general obligation debt issued for the acquisition or improvement of real property and approved by at least two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Taxes on the parcels within the District.

**Value-to-Lien Ratios.** The value of the land and improvements within the District is a major factor in determining the investment quality of any series of bonds issued by the District. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts or floods, stricter land use regulations or other events may adversely impact the value of the security underlying the Special Tax. To account for such uncertainties, investors typically require the value of the property upon which the Special Tax is levied to be several times the principal amount of the related district bonds. Such value-to-lien ratios are derived by dividing the value of the property by the principal amount of the related district bonds. For example, a 3:1 ratio means that the value is three times the total bond amount. **The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio shown below.** Pursuant to the Act and the Rate and Method of Apportionment, the principal amount of the District Bonds is not allocable among the parcels in the District. **In addition, a value-to-lien ratio does not give any indication if a property owner has negative or little equity in their property.**

Shown below is the estimated value-to-lien ratio in the District, as of January 15, 2015.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
VALUE-TO-LIEN RATIO  
(AS OF JANUARY 15, 2015)**

	<u>Number of Parcels</u>	<u>Total Estimated Value</u>
<b>Developed Property</b>		
Completed (Individual Homeowners)	285	\$80,000,000
Under Construction (includes model homes)	<u>42</u>	<u>9,200,000</u>
<b>Subtotal Developed Properties</b>	327	89,200,000
<b>Undeveloped Property</b>	<u>59</u>	<u>3,800,000</u>
<b>Total</b>	<b>386</b>	<b>\$93,000,000</b>
<b>Principal Amount of District Bonds</b>		\$10,250,000*
<b>Value to Lien</b>		9.07* to 1

Source: the Appraisal Report.

**Parity Taxes and Special Assessments.** The property in the District is subject to several overlapping liens.

The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land within the District until they are paid in full. Such lien is on a parity with all special taxes and special assessments levied by other public entities, agencies and districts and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same real property.

The District has no control over the ability of other public entities, agencies and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the real property within the District. Any such special taxes or assessments may have a lien on such real property on a parity with the Special Taxes. Accordingly, the liens on the real property within the District could greatly increase, without any corresponding increase in the value of the property within the District and thereby severely reduce the value-to-lien ratio of the land-secured public debt existing at the time the District Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the District to pay the Special Taxes when due.

The Special Taxes have priority over all existing and future private liens imposed on the real property within the District.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners of one or more Special Tax installments, there can be no assurance that there would be available to the District sufficient funds to pay when due the principal of, interest on and premium, if any, on the District Bonds.

**Effective Tax Rate.** Another tool for evaluating the tax burden is the ratio of total taxes, special taxes and assessments as a percentage of property value (the "Effective Tax Rate"). The size of the Effective Tax Rate could affect the ability and willingness of the property owners to pay the Special Taxes when due (see "BOND OWNERS' RISKS – THE DISTRICT BONDS – Risk Factors Relating to Tax Burden" herein).

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\* Preliminary, subject to change.





The table below sets forth the estimated Fiscal Year 2014-15 Effective Tax Rates for a hypothetical home based upon the estimated average size and assessed value in the District. The table sets forth those entities with fees, charges, *ad valorem* taxes and special taxes regardless of whether those entities have issued debt. The estimated tax rates and amounts presented herein are based on currently available information. The actual amounts charged may vary and may increase in future years depending on the amount of the District Bonds outstanding, the number of delinquencies and the status of development, among other factors.

Conceptually, bonds issued by a community facilities district secured by special taxes finance improvements that otherwise would have to be added to the purchase price of a home and, therefore, homes in such community facilities district would have a lower selling price than comparable homes that did not have the benefit of such financing. In practice, however, the purchase price of a home is primarily determined by market forces that may or may not take into account the special taxes.

A special tax can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county and this in turn can lead to problems in the collection of the special tax. In particular, a heavy tax burden could influence property owners with negative or little equity in their property not to pay the special taxes.

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
REPRESENTATIVE PROPERTY TAX BILL FOR  
FISCAL YEAR 2014-15**

**ASSESSED VALUATION AND PROPERTY TAXES**

Assessed Value <sup>(1)</sup> \$242,596

	<b>Percent of Assessed Value</b>	<b>Projected Amount</b>
<b>AD VALOREM PROPERTY TAXES</b>	1.0665%	\$2,587.34
<b>ASSESSMENTS, SPECIAL TAXES, AND PARCEL CHARGES <sup>(2)</sup></b>		
CFD 1-S South Perris Public Services		\$366.72
Lighting & Landscape Maint. District 84-1		46.28
Metropolitan Water District Standby Charge		6.94
Eastern Municipal Water District Standby Combined Charge		26.00
<b>Subtotal</b>		<b><u>\$445.94</u></b>
CFD 2006-2 Assigned Tax for facilities		<b><u>\$1,137.74</u></b>
<b>TOTAL PROPERTY TAXES AND ASSESSMENTS</b>		<b><u>\$4,171.02</u></b>
<b>ESTIMATED EFFECTIVE TAX RATE</b>		<b>1.72%</b>

(1) Sample tax bill for a single family detached home with the median assessed value in CFD 2006-2. The building size of sample shown is 1,771 square feet.

(2) All assessments assume a lot size of less than one acre.

Source: Willdan Financial Services & County of Riverside

## **Risk Factors Relating to Governmental Rules, Initiatives, Etc.**

**Right to Vote on Taxes Act.** An initiative measure commonly referred to as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by the voters of the State of California at the November 5, 1996, general election. Proposition 218 added Article XIII C (“Article XIII C”) and Article XIII D to the California Constitution. According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Generally, many of the provisions of Proposition 218 have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of Proposition 218.

Among other things, Section 3 of Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” Proposition 218 provides for a procedure, which includes notice, hearing, protest and voting requirements, to alter the Rate and Method of Apportionment of an existing special tax. However, Proposition 218 prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to Proposition 218 unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that the exercise by the voters in the District of the initiative power referred to in Article XIII C to reduce or terminate the Special Tax is subject to the same restrictions as is the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that Proposition 218 has not conferred on the voters in the District the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the District Bonds.

It may be possible, however, for voters of the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the District Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the District Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

**Ballot Initiatives and Legislative Measures.** Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the City or local District to increase revenues or to increase appropriations.

**Validity of Landowner Election.** On August 1, 2014, the California Court of Appeal, Fourth Appellate District, Division One (the “Court”), issued its opinion in *City of San Diego v. Melvin Shapiro, et al.* (D063997). The Court of Appeal considered whether Propositions 13 and 218, which amended the California Constitution to require voter approval of taxes, require registered voters to approve a tax or whether a city could limit the qualified voters to just the landowners and lessees paying the tax. The case involved a Convention Center Facilities District (the “CCFD”) established by the City of San Diego. The CCFD is a financing district established under San Diego’s charter and was intended to function much like a community facilities district established under the provisions of the Mello-Roos Community Facilities Act of 1982 (Section 53311 *et seq.* of the Government Code of the State of California), as

amended (the “Mello-Roos Act”). The CCFD is comprised of the entire City of San Diego. However, the special tax to be levied within the CCFD was to be levied only on properties improved with a hotel located within the CCFD.

At the election to authorize such special tax, the San Diego Charter proceeding limited the electorate to owners of hotel properties and lessees of real property owned by a governmental entity on which a hotel is located. Thus, the election was an election limited to landowners and lessees of properties on which the special tax would be levied, and not a registered voter election. Such approach to determining who would constitute the qualified electors of the CCFD was based on Section 53326(c) of the Mello-Roos Act, which generally provides that, if a special tax will not be apportioned in any tax year on residential property, the legislative body may provide that the vote shall be by the landowners of the proposed district whose property would be subject to the special tax. In addition, Section 53326(b) of the Mello-Roos Act provides that if there are less than 12 registered voters in the district, the landowners shall vote. The Court held that the CCFD special tax election did not comply with applicable requirements of Proposition 13, which added Article XIII A to the California Constitution (which states “Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district”) and Proposition 218, which added Article XIII C and XIID to the California Constitution (which provides “No local government may impose, extend or increase any special tax unless and until that tax is submitted to the electorate and approved by a two-thirds vote”), or with applicable provisions of San Diego’s Charter, because the electors in such an election were not the registered voters residing within such district.

San Diego argued that the State Constitution does not expressly define the qualified voters for a tax; however, the Legislature defined qualified voters to include landowners in the Mello-Roos Community Facilities District Act. The Court of Appeal rejected San Diego’s argument, reasoning that the text and history of Propositions 13 and 218 clearly show California voters intended to limit the taxing powers of local government. The Court was unwilling to defer to the Mello-Roos Act as legal authority to provide local governments more flexibility in complying with the State’s constitutional requirement to obtain voter approval for taxes. The Court held that San Diego’s tax was invalid because the City’s registered voters did not approve it. However, the Court expressly stated that it was not addressing the validity of landowners voting to impose special taxes pursuant to the Mello-Roos Act in situations where there are fewer than 12 registered voters. In the case of the CCFD, at the time of the election there were several hundred thousand registered voters within the CCFD (*i.e.*, all of the registered voters in the City of San Diego). In the case of the District, there were fewer than 12 registered voters within the District at the time of the election to authorize the District special tax. Thus, by its terms, the Court’s holding does not apply to the special tax election in the District. Moreover, Section 53341 of Mello-Roos Act provides that any “action or proceeding to attack, review, set aside, void or annul the levy of a special tax ... shall be commenced within 30 days after the special tax is approved by the voters.” Similarly, Section 53359 of the Mello-Roos Act provides that any action to determine the validity of bonds issued pursuant to the Mello-Roos Act or the levy of special taxes authorized pursuant to the Mello-Roos Act be brought within 30 days of the voters approving the issuance of such bonds or the special tax. The special taxes were approved within the District in 2007. Therefore, under the provisions of Section 53341 and Section 53359 of the Mello-Roos Act, the statute of limitations period to challenge the validity of the special tax has expired.

## **Risk Factors Relating to Limitations of the District Bonds and the District**

**Limited Obligation.** Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof, other than the District, is pledged to the payment of the District Bonds. Except for the Special Taxes derived from the District, no other taxes are pledged to the payment of the District Bonds. The District Bonds are not general or special limited obligations of the City, the State or any political subdivision thereof or general obligations of the District, but are special obligations of the

District, payable solely from Special Taxes and the other assets pledged therefor under the Fiscal Agent Agreement.

**Limitations on Remedies.** Remedies available to the Bond Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the District Bonds or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the District Bonds and of the Indenture and the Fiscal Agent Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion and limitations on remedies against governmental entities in the State of California. Additionally, the District Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the District Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code and bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See "**BOND OWNERS' RISKS - THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes**" above.

**No Acceleration Provision.** The Fiscal Agent Agreement does not contain a provision allowing for the acceleration of the principal of the District Bonds in the event of a payment default or other default under the terms of the District Bonds or the Fiscal Agent Agreement. Accordingly, the Indenture does not contain a provision allowing for acceleration of the Bonds.

# THE AUTHORITY

## AUTHORITY ORGANIZATION

The Authority is governed by a five-member board which consists of all members of the City Council. The Mayor is the Chair of the Authority and the Mayor Pro Tem is the Vice Chair. The City Manager acts as the Executive Director, the City Clerk acts as the Secretary and the Assistant City Manager / Finance Director acts as the Treasurer of the Authority. The current Authority governing board is as follows:

### AUTHORITY GOVERNING BOARD

Daryl Busch, *Chairperson*  
Tonya Burke, *Vice-Chairperson*  
David Starr Rabb, *Board Member*  
Julio Rodriquez, *Board Member*  
Rita Rodgers, *Board Member*

The California Government Code provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid solely from the revenues of certain public obligations, such as the District Bonds.

## CITY ORGANIZATION

The City is incorporated as a general law city. The City has a Council/Manager form of municipal government. The City Council appoints the City Manager who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. The City Council is composed of five members elected bi-annually at large to four-year alternating terms. The City Council members and their term expiration dates are as follows:

<u>City Council Member</u>	<u>Term Expires</u>
Daryl Busch, <i>Mayor</i>	December 2016
Tonya Burke, <i>Mayor Pro Tem</i>	December 2018
David Starr Rabb, <i>Council Member</i>	December 2018
Julio Rodriquez, <i>Council Member</i>	December 2016
Rita Rodgers, <i>Council Member</i>	December 2016

The City performs certain general administrative functions for the Authority. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Authority. The Authority reimburses the City for such allocated costs out of available revenues. Current City staff assigned to administer the Authority include the following:

### CITY STAFF

Richard Belmudez, *City Manager*  
Ron Carr, *Assistant City Manager*  
Eric Dunn, *City Attorney*  
Nancy Salazar, *City Clerk*

The City Attorney is appointed by and serves at the pleasure of the Perris City Council. Legal services are performed under contract with the firm of Aleshire & Wynder, LLP, Irvine, California.

# **DISTRICT ADMINISTRATION**

## **ADMINISTRATION GENERAL**

The City and its Special Tax Consultant provide administrative and support services to the District as well as other special districts in the City. The City currently administers 31 community facilities districts.

## **LEVY OF THE SPECIAL TAX**

The District is required to communicate with the County Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied within the District, taking into account any parcel splits during the preceding and then current fiscal year. The District is required by resolution to provide for the levy of the Special Taxes in the District in the current fiscal year. A certified list of all parcels within the District subject to the Special Tax, including the amount of the Special Tax to be levied on each such parcel, is filed by the District with the County Auditor on or before the tenth (10th) day of August of that tax year. The Special Taxes so levied may not exceed the authorized amounts as provided in the Rate and Method of Apportionment and applicable provisions of the Act.

The City Council, acting on behalf of the District, levies the Special Taxes in accordance with the Rate and Method of Apportionment (see “**APPENDIX C – RATE AND METHOD OF APPORTIONMENT**”), the Fiscal Agent Agreement and the Act. Because the Special Taxes have been authorized by a two-thirds (2/3) vote of those qualified electors within the District that cast votes, the Special Taxes are a special tax imposed within the limitations of Section 4 of Article XIII A of the State Constitution. The City Council, as the legislative body of the District, has the power and is obligated, pursuant to the covenants contained in the Fiscal Agent Agreement, to cause the levy and collection of the Special Taxes within the District annually.

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

When received, the Special Taxes are required to be transferred by the City to the Fiscal Agent as provided in the Fiscal Agent Agreement and deposited by the Fiscal Agent in a separate Special Tax Fund (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Application of Special Taxes; Flow of Funds**” herein).

Under the Act, the Rate and Method of Apportionment and the Fiscal Agent Agreement, the District has the authority and the obligation to increase the levy of Special Taxes against non-delinquent property owners in the District if other owners in such District are delinquent in the payment of Special Taxes. However, the District’s ability to increase Special Tax levies for this purpose is limited by two factors:

- (a) The maximum Special Tax set forth in the Rate and Method of Apportionment, and
- (b) The limitations on such increases set forth in the Act, which provide that under no circumstances may the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by an owner of any other parcel or parcels within the District by more than ten percent (10%).

## **DELINQUENCIES**

### **Identification of Delinquencies; Initial Notification**

The District will review the public records of the County of Riverside, California, in connection with the collection of the Special Tax not later than October 30 of each year to determine the amount of Special Tax collected in the prior Fiscal Year; and with respect to individual delinquencies, the District will send or cause to be sent a notice of delinquency and a demand for immediate payment thereof to the property owner within 45 days of such determination, and if the District determines that any single property owner

subject to the Special Tax is delinquent in the payment of Special Taxes in the aggregate of \$5,000 or more or delinquent in the payment of three consecutive installments of Special Tax or that the delinquent Special Taxes represent more than 5% of the aggregate Special Taxes levied within the District or if there has been a draw on the funds on deposit in the Reserve Account established under the Authority Indenture, and if the delinquency remains uncured, the District will cause judicial foreclosure proceedings to be filed in the superior court within ninety (90) days of the notice to the property owner against all properties for which the Special Taxes remain delinquent. Prior to commencement of any judicial foreclosure proceedings, the District shall continue with its efforts to collect the delinquent Special Taxes by sending subsequent notices of delinquency and a demand for immediate payment thereof.

Special Taxes are due in two equal installments. Special Taxes levied become delinquent if not paid by December 10<sup>th</sup> (the “First Installment”) and April 10<sup>th</sup> (the “Second Installment”). Generally, the First Installment pays the March 1<sup>st</sup> interest payment and ½ of the September 1<sup>st</sup> principal payment on the Bonds. Generally, the Second Installment pays the September 1<sup>st</sup> interest payment and ½ of the September 1<sup>st</sup> principal payment.

### **Special Tax Collections**

Delinquencies in the payment of property taxes and the Special Taxes may result from any of a number of factors affecting individual property owners. See “**BOND OWNERS’ RISKS**” for discussions of certain potential causes of property tax delinquencies.

It is the City’s experience that the majority of delinquencies are cured within the Bond Year. However, the timing and the amount of such delinquent payments are not fully predictable. In order to guard against temporary shortages in cash flow, the District has established a Delinquency Management Fund to be held by the Fiscal Agent. The Delinquency Management Fund Requirement is 15% of Maximum Annual Debt Service on the District Bonds. On the delivery date of the District Bonds, the Delinquency Management Fund will be fully funded. Replenishment of the Delinquency Management Fund will be primarily funded from delinquent payments and from Special Taxes and investment earnings, to the extent the amounts thereof received by the Fiscal Agent are in excess of the debt service due on the applicable District Bonds and all administrative expenses of the District have been paid. Amounts in the Delinquency Management Fund, if any, will be used to pay debt service on the related District Bonds to the extent Special Taxes are insufficient for such purpose.

In addition to delinquencies in the payment of Special Taxes by individual home owners, there are a number of less frequent risks, such as bankruptcy of a major property owner, earthquakes and other natural hazards, among others (see “**BOND OWNERS’ RISKS**”), that may cause larger disruptions in the receipt of the Special Taxes that may also take longer to resolve. To assist in mitigating against such future delinquencies and a possible payment default on the Bonds, the Authority has established the Cash Flow Management Fund to be held by the Trustee. The Cash Flow Management Fund Requirement is 15% of Maximum Annual Debt Service on the Bonds (\$119,975.63\*). The Cash Flow Management Fund will be initially funded in the amount of \$119,975.63.\* Replenishment of the Cash Flow Management Fund will be from any delinquent payments of debt service on the District Bonds, surplus Revenues and, at the election of the Authority, by any available surplus revenues with respect to other series of local agency revenue bonds issued by the Authority.

Amounts in the Cash Flow Management Fund will be used, prior to any draw on the Reserve Account, to pay debt service on the Bonds to the extent Revenues are insufficient for such purpose.

The amount of the Special Tax levy and the amounts collected and delinquencies for Fiscal Years 2012/13 through 2014/15 are shown below.

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\* Preliminary, subject to change.



**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES)  
SPECIAL TAX RECEIPTS**

<u>Fiscal Year</u>	<u>No. of Parcels Levied</u>	<u>Amount Levied</u>	<u>Amount Paid as of June 30</u>	<u>% Delinquent</u>	<u>Parcels Currently Delinquent</u>
2012/13					
2013/14					
2014/15					

Source: Willdan Financial Services

## **FORECLOSURE ACTIONS**

### **Requirement**

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the District may order the institution of a superior court action to foreclose the lien of the Special Tax within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at judicial foreclosure sale. Under the provisions of the Act, such judicial foreclosure action is not mandatory. The District has covenanted to initiate foreclosure action in the superior court against parcels with delinquent Special Taxes as provided in the Fiscal Agent Agreement (see “**SOURCES OF PAYMENT FOR THE BONDS – REPAYMENT OF THE DISTRICT BONDS – Covenant for Superior Court Foreclosure**” herein).

If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. The current value of a home in the District is approximately seventy times the Maximum Special Tax and generally lenders have advanced the amount of the delinquent Special Tax to protect their security interest. For this reason, the amount of short sales and private foreclosures by mortgage lien holders is not necessarily reflective of the amount of City foreclosure activity.

### **Procedure**

Foreclosure proceedings are directed by the District through a notification to foreclosure counsel, which may be the City Attorney (“Foreclosure Counsel”), as to the delinquent assessor parcel numbers for which foreclosure proceedings are to be initiated. During or prior to filing suit, the District will first remove the delinquent Special Taxes from the County Tax Roll, as required by law. Foreclosure Counsel then initiates a request for a title search to identify the current legal owner of a delinquent parcel. Foreclosure Counsel also sends a written demand for payment to the owner shown on the County Tax Roll, followed by the filing of a complaint with the Superior Court in Riverside County (the “Court”) and recording a *lis pendens* against the property at the office of the County Recorder.

Each legal owner and all holders of any other interest in the land must file an answer to the complaint within 30 days following the completion of service of process on them. If no answer is filed within such 30-day period, Foreclosure Counsel files a request that a default judgment be entered by the Court. If any party files an answer, then the case must be litigated and Foreclosure Counsel could file a motion for summary judgment.

Following the entry of a judgment, whether by default or otherwise, against all defendants, Foreclosure Counsel requests a writ of sale from the Court for delivery to the Riverside County Sheriff’s Department

(the “Sheriff”). The writ of sale is delivered to the Sheriff with instructions to execute on the delinquent parcel. Levy by the Sheriff consists of posting notice on the delinquent property, followed by mailing of notice to the last known address of the legal owner and publication of the notice of levy.

Thereafter, the delinquent property owner is entitled to a redemption period of 120 days. Following such 120-day period, foreclosure proceedings can continue following the publication and mailing of a notice of sale of the delinquent parcel or parcels, which sale must be at least 20 days following such notice. The foreclosure process described above typically takes at least six months from the date on which a judgment is entered and can take substantially longer. It should be noted that any foreclosure proceedings commenced as described above could be stayed by the commencement of bankruptcy proceedings by or against the owner of the delinquent property (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Foreclosure and Sale Proceedings**” and “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to the Levying and Collection of the Special Taxes – Bankruptcy and Foreclosure Delays**” herein).

**No assurances can be given that the real property subject to sale or foreclosure will be sold or, if sold, that the proceeds of the sale will be sufficient to pay any delinquent Special Tax installment. The Act does not require the City or the District to purchase or otherwise acquire any lot or parcel of property offered for sale or subject to foreclosure if there is no other purchaser at such sale. The Act does specify that the Special Tax will have the same lien priority in the case of delinquency as for *ad valorem* property taxes (see “**BOND OWNERS’ RISKS – THE DISTRICT BONDS – Risk Factors Relating to Land Values**” herein).**

The District reserve the right to elect to accept payment from a property owner of at least the enrolled amount of the Special Taxes for a parcel(s) but less than the full amount of the penalties, interest, costs and attorneys’ fees related to the Special Tax delinquency for such parcel(s). The Bond Owners are deemed to have consented to the foregoing reserved right of the District, notwithstanding any provision of the Act or other law of the State, or any other term set forth in the Fiscal Agent Agreement to the contrary. The Bond Owners, by their acceptance of the Bonds, consent to such payment for such lesser amounts.

## **LEGAL MATTERS**

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the Fiscal Agent Agreement or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

### **APPROVAL OF LEGAL PROCEEDINGS**

Aleshire & Wynder, LLP, Irvine, California, as Bond Counsel, will render an opinion to the Authority which states that the Indenture and the Bonds are valid and binding contracts of the Authority and are enforceable in accordance with their terms. The legal opinion of Bond Counsel will be subject to certain limitations including the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Authority has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Authority, except to the extent such enforcement is limited by principles of equity and by State and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Authority, the City and the District by Aleshire & Wynder, LLP, Irvine, California, as City Attorney. Certain legal matters will be passed upon for the Authority, the City and the District by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California, as Underwriter's Counsel.

Fees payable to Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **TAX EXEMPTION**

At closing, Bond Counsel expects to render an opinion to the Authority that based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes. Bond Counsel expects to deliver an opinion at the time of issuance of the Bonds substantially in the form set forth in Appendix E hereto.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest, on the Bonds. Further, no assurance can be given that

pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. Bond Counsel observes, however, that interest on the Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Bond (other than a purchaser who holds such Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each such Bond and the basis of such Bond acquired at such initial offering price by an initial purchaser of each such Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase such Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds. All holders of such Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such Bond based on the purchaser's yield to maturity in such Bond, except that in the case of such Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond. A purchaser of such Bond is required to decrease his or her adjusted basis in such Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such Bond and with respect to the state and local tax consequences of owning and disposing of such Bond.

Prospective purchasers of the Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest with respect to the Bonds, (ii) interest, with respect to the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income, including interest with respect to the Bonds, may be subject to federal income taxation under Section 1375 of the Code for subchapter S corporations having subchapter C earnings and profits at the close of the taxable year and gross receipts more than 25% of which constitute passive investment income, and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to any Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income, and is exempt from current State of California personal income taxes, the ownership or disposition of the Bonds, and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's State or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences. Bond Council's opinion is rendered as of its date and it assumes no obligation to update its opinion.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee, released draft legislation that would subject interest on the Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Bonds will not have an adverse effect on the tax exempt status or market price of the Bonds.

## **INFORMATION REPORTING AND BACKUP WITHHOLDING**

Information reporting requirements will apply to interest (including original issue discount, if any) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payer with a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payer is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payer" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

## **ABSENCE OF LITIGATION**

The Authority will furnish a certificate, dated as of the date of delivery of the Bonds, stating that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture is to be executed and delivered or the Bonds are to be delivered or affecting the validity thereof.

## CONCLUDING INFORMATION

### NO RATING ON THE BONDS

The Authority has not made, and does not contemplate making, any application for a rating on the Bonds. No such rating should be assumed based upon any other Authority rating that may be obtained. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. Should a Bond Owner elect to sell a Bond prior to maturity, no representations or assurances can be made that a market will have been established or maintained for the purchase and sale of the Bonds. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Bonds at the request of the owner thereof.

### UNDERWRITING

O'Connor & Company Securities, Inc. (the "Underwriter") is offering the Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others.

The Underwriter has purchased the Bonds at a price equal to approximately \_\_\_\_\_% (\$\_\_\_\_\_) of the aggregate principal amount of the Bonds, which amount represents the principal amount of the Bonds, less the Underwriter's discount of \$\_\_\_\_\_ and less a net original issue discount of \$\_\_\_\_\_.

The Underwriter will pay certain of its expenses relating to the offering.

### CONTINUING DISCLOSURE

The Authority has determined that, except for information relating to fund balances held by the Trustee with respect to the Bonds, no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The District has undertaken all responsibilities for any continuing disclosure to Bond Owners as described below, and the Authority shall have no liability to the Owners (as defined in the Indenture) of the Bonds or any other person with respect to such disclosures.

The District has covenanted for the benefit of Owners of the Bonds to provide certain financial information and operating data relating to the District. The District has agreed to make such information available not later than December 31 of each year, commencing December 31, 2015 (the "Annual Report"), and to provide notices of the occurrences of certain enumerated events. Each Annual Report and the notice of certain enumerated events will be filed by the Trustee, acting as dissemination agent, with the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB. The specific nature of information to be contained in the Annual Report or the notice of certain enumerated events is set forth in "**APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT.**" These covenants have been made by the District in order to assist the Underwriter in complying with the Rule 15c2-12 of the Securities Exchange Act of 1934, as amended (the "Rule").

The City commissioned Willdan Financial Services, Temecula, California ("Willdan") to conduct a compliance audit of its prior continuing disclosure filings on 35 separate bond issues. Willdan concluded after the filing of 12 supplemental reports that the City is currently in conformance with the requirements of the Rule and pursuant to separate Continuing Disclosure Agreements executed in connection with such bond issues. Generally, five of the supplemental reports pertained to rating changes (4 downgrades on certain bond issues insured by AMBAC or by MBIA and one upgrade) and seven of the supplemental reports pertained to improvement fund balances after the closing of such funds. In addition, one supplemental report addressed certain operating information of the former Redevelopment Agency.

Although currently in compliance, on numerous occasions, the City failed to timely file certain annual financial statements of the City. The City has elected not to include its Annual Financial Statements in the Official Statement. No funds or assets of the City are required to be used to pay debt service on the Bonds or the respective District Bonds and the City is not obligated to advance available funds to cover any delinquencies. Investors should not rely on the financial condition of the City in whether to buy, hold or sell the Bonds.

## **THE FINANCING CONSULTANT**

The material contained in this Official Statement was prepared by Rod Gunn Associates, Inc., a California corporation, an independent financial consulting firm, who advised the Authority as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by Rod Gunn Associates, Inc. from sources which are believed to be reliable, but such information is not guaranteed by Rod Gunn Associates, Inc. as to accuracy or completeness, nor has it been independently verified. Fees paid to Rod Gunn Associates, Inc. are contingent upon the sale and delivery of the Bonds.

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption “**THE SPECIAL TAXES**” herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AUTHORITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **ADDITIONAL INFORMATION**

The summaries and references contained herein with respect to the Indenture, the Fiscal Agent Agreement, the Bonds, statutes and other documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute; and references to the Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of the Indenture and the Fiscal Agent Agreement are available for inspection during the period of initial offering of the Bonds at the offices of the Underwriter, O’Connor & Company Securities, Inc., 234 East 17<sup>th</sup> Street, Suite 114, Costa Mesa, California, 92627, telephone (949) 764-9320. Copies of these documents may be obtained after delivery of the Bonds from the City through the Assistant City Manager, City of Perris, 101 North “D” Street, Perris, California 92570.

## **REFERENCES**

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Bonds.

## **EXECUTION**

The execution of this Official Statement by the Executive Director has been duly authorized by the Perris Joint Powers Authority.

### **PERRIS JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
Executive Director



**APPENDIX A.  
SUMMARY OF THE INDENTURE**

**APPENDIX B.**  
**SUMMARY OF THE FISCAL AGENT AGREEMENT**

**APPENDIX C.  
RATE AND METHOD OF APPORTIONMENT**

**APPENDIX D.  
APPRAISAL**

**APPENDIX E.**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**APPENDIX F.**  
**FORM OF BOND COUNSEL OPINION**

**APPENDIX G.  
BOOK-ENTRY SYSTEM**

## **APPENDIX G**

### **BOOK-ENTRY SYSTEM**

*The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Authority which the Authority believes to be reliable, but the Authority and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.



To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption price and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the Authority determines that DTC shall no longer act and delivers a written certificate to the Trustee to that effect, then the Authority will discontinue the Book-Entry System with DTC for the Bonds. If the Authority determines to replace DTC with another qualified securities depository, the Authority will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Indenture. If the Authority fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of, and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Trustee identified in the Indenture, and (iii) the Bonds will be transferable and exchangeable as provided in the Indenture.

*The Authority or the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of, redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Indenture; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Indenture. The Authority or the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The Authority or the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*

§ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B

Purchase Contract  
\_\_\_\_\_, 2015

Perris Joint Powers Authority  
101 North "D" Street  
Perris, California 92570

Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
c/o the City of Perris  
101 North "D" Street  
Perris, California 92570

Ladies and Gentlemen:

O'Connor & Company Securities, Inc. (the "Underwriter") hereby offers to enter into the following agreement with the Perris Joint Powers Authority (the "Authority") and Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the "District"). Upon the acceptance hereof by you, this offer will be binding upon the Authority, the District and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice (by facsimile or otherwise) delivered to you at any time prior to the acceptance hereof by you.

The Authority and the District acknowledge and agree that: (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Contract is an arm's-length commercial transaction among the Authority, the District and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the Authority or the District; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the Authority or the District with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Authority or the District on other matters); or (y) any other obligation to the Authority or the District except the obligations expressly set forth in this Purchase Contract; and (iv) the Authority and the District have consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds. The Authority and the District acknowledge that each has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority, at the Closing Time on the Closing Date (both as defined herein), and the Authority hereby agrees to sell and deliver to the Underwriter, \$\_\_\_\_\_ aggregate principal amount of its Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B (the "Bonds"). The Bonds shall be dated the date of their initial delivery, and shall mature on September 1 in the years shown on Exhibit A hereto, shall bear interest at the rates shown on Exhibit A hereto and shall be subject to redemption and have such other terms as are provided in the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). Interest on the Bonds shall be payable each March 1 and September 1 to maturity or earlier redemption of the Bonds, beginning September 1, 2015. The purchase price for the Bonds shall be an amount equal to \$\_\_\_\_\_ (being the aggregate principal amount thereof (\$\_\_\_\_\_), less an underwriter's discount of \$\_\_\_\_\_ and [plus/less an original issue premium/discount of \$\_\_\_\_\_]). (The date of such payment and delivery is referred to herein as the "Closing Date," the hour and date of such delivery and payment is referred to herein as the "Closing Time," and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing").

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Constitution and the laws of the State of California including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584) of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Law") and the Indenture, authorizing the issuance of the Bonds.

The Bonds are being issued for the purpose of funding a reserve fund for the Bonds, to acquire from the District the District Bonds (as defined in the Indenture) being issued by the District pursuant to a Fiscal Agent Agreement, dated as of \_\_\_\_\_ 1, 2015 (the "Fiscal Agent Agreement"), by and between the District and U.S. Bank National Association, as fiscal agent (the "Fiscal Agent"), and to pay the costs of issuance of the Bonds and the District Bonds. The proceeds from the sale of the District Bonds will be used to finance certain public facilities to meet the needs of new development within the District. The Bonds are secured by Revenues (as defined in the Indenture), consisting primarily of amounts received by the Authority from the District pursuant to the District Bonds.

The Bonds shall be payable and shall be subject to redemption as provided in the Indenture and shall be as described in the Amended and Restated Preliminary Official Statement of the Authority dated \_\_\_\_\_, 2015 (the "Preliminary Official Statement") and the Official Statement of the Authority dated of even date herewith. Such Official Statement, including the cover page and the appendices thereto, relating to the Bonds, as amended to conform to the terms of this Purchase Contract and with such changes and amendments thereto as have been mutually agreed to by the Authority, the District and the Underwriter, are hereinafter referred to as the "Official Statement."

This Purchase Contract and the Indenture are referred to herein as the "Authority Documents." This Purchase Contract, the Fiscal Agent Agreement and the Continuing

Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2015 (the “Continuing Disclosure Agreement”), by and between the District and Willdan Financial Services, as dissemination agent, are referred to herein as the “District Documents.”

3. **Offering by the Underwriter.** It shall be a condition to the Authority’s obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter’s obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers) at prices or yields as set forth on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof. The net premium on the sale of the Bonds to the public, if any, shall accrue to the benefit of the Underwriter.

4. **Official Statement, Delivery of Other Documents, Use of Documents.**

(a) The Authority and the District hereby authorize the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto) and the Indenture and the Fiscal Agent Agreement and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The Authority shall deliver to the Underwriter, within seven business days from the date hereof, such number of copies of the final Official Statement executed on behalf of and approved for distribution by the Authority as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the MSRB and Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934.

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to the Electronic Municipal Market Access system (“EMMA”) through the MSRB.

5. **Representations, Warranties and Agreements of the Authority.** The Authority represents, warrants and agrees as follows:

(a) The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California.

(b) The Authority has full legal right, power and authority (i) to enter into the Authority Documents, (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iii) to carry out and consummate the transactions on its part contemplated by the Authority Documents and the Official Statement.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and

delivery of, and the performance by the Authority of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the Authority Documents, and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Indenture, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Indenture.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under the Authority Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state or of the United States in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Indenture have been duly obtained.

(f) The Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions "SUMMARY STATEMENT" and "THE BONDS"; and the Authority Documents when executed and delivered will conform to the descriptions thereof contained in the Official Statement under the captions "SUMMARY STATEMENT," "THE BONDS," "SOURCES OF PAYMENT FOR THE BONDS" and "APPENDIX A – SUMMARY OF THE INDENTURE."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Indenture, and sold to the Underwriter as provided herein, will be validly issued and

outstanding obligations of the Authority, entitled to the benefits of the Indenture, and upon such issuance and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Purchase Contract on behalf of the Authority, threatened against the Authority, affecting the existence of the Authority, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Revenues pursuant to the Indenture, or contesting or affecting as to the Authority the validity or enforceability of the Bond Law, the Bonds or the Authority Documents, or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority for the issuance of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the Authority, or the authorization, execution, delivery or performance by the Authority of the Bonds or the Authority Documents.

(i) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (x) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate, (y) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the Authority's action under (x) and (y) herein, and (z) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading.

(k) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(m) If between the date of this Purchase Contract and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the Authority shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the City on behalf of the Authority and delivered to the Underwriter pursuant to the Indenture, this Purchase Contract or any document contemplated thereby shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(p) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Authority will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or principal of which will be payable from the payments to be made under the Indenture.

(q) The Authority shall honor all other covenants on its part contained in the Indenture which are incorporated herein and made a part of this Purchase Contract.

**6. Representations, Warranties and Agreements of the District.** The District represents, warrants and agrees as follows:



(a) The District is a community facilities district duly organized and validly existing under the laws of the State of California.

(b) The District has full legal right, power and authority (i) to enter into the District Documents, and (ii) to carry out and consummate the transactions on its part contemplated by the District Documents and the Official Statement.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the District Documents, and the consummation by it of all other transactions contemplated by the District Documents in connection with the issuance of the District Bonds.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Fiscal Agent Agreement) or other instrument to which the District is a party which breach or default has or may have an adverse effect on the ability of the District to perform its obligations under the Fiscal Agent Agreement, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Bonds and the District Documents, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as provided by the District Documents.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the District of its obligations in connection with the issuance of the District Bonds under the District Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state or of the United States in connection with the offering and sale of the Bonds or the District Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matters which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which

would materially adversely affect the due performance by, the District of its obligations under the District Documents have been duly obtained.

(f) The District Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions “SUMMARY STATEMENT” and “THE BONDS”; and the District Documents when executed and delivered will conform to the descriptions thereof contained in the Official Statement under the captions “SUMMARY STATEMENT,” “THE BONDS,” “SOURCES OF PAYMENT FOR THE BONDS” and “APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT.”

(g) The District Bonds, when issued, authenticated and delivered in accordance with the Fiscal Agent Agreement, and sold to the Authority as provided in the Commitment Agreement and Purchase Contract for Purchase and Sale of Local Obligation Bonds, dated \_\_\_\_\_, 2015, by and between the Authority and the District (the “Local Obligation Purchase Contract”) will be the validly issued and outstanding obligation of the District, entitled to the benefits of the Fiscal Agent Agreement, and upon such issuance and delivery, the Fiscal Agent Agreement will provide, for the benefit of the owners from time to time of the District Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the District, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Purchase Contract on behalf of the District, threatened against the District, affecting the existence of the District, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the District Bonds or the pledge and lien on the Revenues pursuant to the Indenture or the pledge and lien on the Special Tax Revenues pursuant to the Fiscal Agent Agreement, or contesting or affecting as to the District the validity or enforceability of the Bond Law, the Bonds, the District Bonds or the District Documents, or contesting the tax-exempt status of interest on the Bonds or the District Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the District for the issuance of the District Bonds, or the execution and delivery or adoption by the District of the District Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the District, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bond Law, as to the District, or the authorization, execution, delivery or performance by the District of the Bonds, the District Bonds or the District Documents.

(i) [RESERVED.]

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the District, in light of the circumstances under which they were made, not misleading.

(k) At the time of the District's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 6) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the District shall apply only to the information contained in the Official Statement relating to the District.

(m) If between the date of this Purchase Contract and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the District shall occur affecting the District which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the District shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds or the District Bonds.

(o) Any certificate signed by any officer of the City on behalf of the District and delivered to the Underwriter pursuant to the Fiscal Agent Agreement, this Purchase Contract, the Local Obligation Purchase Contract or any document contemplated thereby shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(p) The District shall honor all other covenants on its part contained in the Fiscal Agent Agreement which are incorporated herein and made a part of this Purchase Contract.

(q) At or prior to the Closing, the District shall have duly authorized, executed and delivered the Continuing Disclosure Agreement which shall comply with the provisions of

Rule 15c2-12(b)(5) and shall be substantially in the form appended to the Official Statement as Appendix E thereto.

7. **Closing.** At 8:00 a.m., California time, on \_\_\_\_\_, 2015, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the Authority, the District and the Underwriter, the Authority will, subject to the terms and conditions hereof, cause the Trustee to deliver to the Underwriter, the Bonds, in definitive form duly authenticated by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and will pay the purchase price of the Bonds at the offices of Aleshire & Wynder, LLP, Irvine, California, as set forth in Section 1 hereof, by delivering federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Authority and the District contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the District of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the District of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Authority and the District contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Indenture and the Fiscal Agent Agreement shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the Authority and the District and of the other parties thereto relating to the Authority Documents and the District Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the District, the Bonds or the District Bonds, as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

- (1) The Official Statement and each supplement or amendment, if any, thereto, executed by the Executive Director of the Authority;
- (2) A copy of the Indenture, executed by the Authority and the Trustee;
- (3) A copy of the Fiscal Agent Agreement, executed by the District and the Fiscal Agent;
- (4) A copy of this Purchase Contract, executed by the Authority, the District and the Underwriter;
- (5) A copy of the Local Obligation Purchase Contract, executed by the Authority and the District;
- (6) Certificates of the Authority and the District, respectively, with respect to the matters described in Sections 5 and 6 and in paragraphs (a), (b), (c) and (d) of this Section 8;
- (7) An opinion (the “Final Approving Legal Opinion”), dated the date of the Closing and addressed to the District, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, substantially in the form set forth in Appendix F to the Official Statement;
- (8) A supplemental opinion, dated the date of the Closing and addressed to the Underwriter, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, in substantially the form attached hereto as Exhibit B;
- (9) An opinion, dated the date of the Closing and addressed to the Underwriter, of the City Attorney of the City, as Special Counsel for the District and the Authority, in substantially the form attached hereto as Exhibit C;
- (10) A reliance letter, dated the date of the Closing and addressed to the Underwriter and the Fiscal Agent, respectively, of Aleshire & Wynder, LLP, Bond Counsel for the Authority, regarding the final approving opinion;
- (11) An opinion, dated the date of the Closing and addressed to the Underwriter, the Authority and the District of Norton Rose Fulbright US LLP, Disclosure Counsel, in substantially the form attached hereto as Exhibit D;
- (12) Transcripts of all proceedings relating to the authorization and issuance of the Bonds certified by the Secretary or an Assistant Secretary of the Authority;
- (13) An opinion of counsel to the Trustee and the Fiscal Agent to the effect that:

(i) Due Organization and Existence - the Trustee and the Fiscal Agent have been duly organized and are validly existing and in good standing, with full corporate power to undertake the trust duties and obligations under the Indenture and the Fiscal Agent Agreement;

(ii) Corporate Action - the Trustee and the Fiscal Agent have duly authorized, executed and delivered the Indenture and the Fiscal Agent Agreement, and by all proper corporate action have authorized the acceptance of the duties and obligations of the Trustee and the Fiscal Agent under the Indenture and the Fiscal Agent Agreement, respectively, and to authorize in such capacity the authentication and delivery of the Bonds and the District Bonds;

(iii) Due Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Authority and the District, the Indenture and the Fiscal Agent Agreement are the valid, legal and binding agreements of the Trustee and the Fiscal Agent, respectively, enforceable in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law); and

(iv) Consents - exclusive of federal or state securities laws and regulations, to the best of such counsel's knowledge after reasonable inquiry and investigation, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's and the Fiscal Agent's authority to perform a trust business (all of which routine filings such counsel believes, after reasonable inquiry and investigation, to have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee or the Fiscal Agent is or will be required for the execution by the Trustee or the Fiscal Agent of the Indenture or the Fiscal Agent Agreement or the authentication and delivery of the Bonds or the District Bonds;

(14) The general resolutions of the Trustee and the Fiscal Agent authorizing the execution and delivery of certain documents by certain officers of the Trustee and Fiscal Agent, which resolutions authorize the execution and delivery of the Indenture and the Fiscal Agent Agreement;

(15) A certificate of the Trustee and the Fiscal Agent, dated the date of Closing, certifying that, subject to the limitations provided herein, the Trustee and the Fiscal Agent represent and warrant and agree with the Underwriter that as of the date of Closing:

(i) Due Organization and Existence - the Trustee and the Fiscal Agent are duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform their duties under the Indenture and

the Fiscal Agent Agreement, respectively, and to authenticate and deliver the Bonds and the District Bonds to the Underwriter pursuant to the terms of the Indenture and the Fiscal Agent Agreement, respectively;

(ii) No Conflict - to the best of the knowledge of the Trustee and the Fiscal Agent, after due investigation, the execution and delivery by the Trustee of the Indenture, and by the Fiscal Agent of the Fiscal Agent Agreement, and the authentication and delivery by the Trustee and the Fiscal Agent of the Bonds and the District Bonds, respectively, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee or the Fiscal Agent is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or the Fiscal Agent or any of its activities or properties, or result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee or the Fiscal Agent; and

(iii) No Litigation - to the best of the knowledge of the Trustee and the Fiscal Agent, no litigation has been served upon the Trustee and the Fiscal Agent to restrain or enjoin the Trustee's or the Fiscal Agent's participation in, or in any way contesting the powers of the Trustee or the Fiscal Agent with respect to, the transactions contemplated by the Indenture or the Fiscal Agent Agreement, respectively;

(16) Executed copies of the Continuing Disclosure Agreement, by and between the District and Willdan Financial Services, as dissemination agent, substantially in the form presented in Appendix E to the Official Statement;

(17) A certificate dated the Closing Date, signed by an authorized principal of Harris Realty Appraisal (the "Appraiser"), in a form satisfactory to the Underwriter and its counsel to the effect that (i) the individual signing the certificate is an authorized representative of the Appraiser, and as such, is familiar with the facts certified and is authorized and qualified to certify the same; (ii) in the opinion of the Appraiser the assumptions made in the appraisal report with respect to the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris, dated January 2015 (the "Appraisal"), are reasonable; (iii) that the Appraiser is not aware of any event or act which has occurred since the date of the Appraisal which, in its opinion, would materially and adversely affect the conclusion as to the appraised value reached in the Appraisal; (iv) the Appraiser consents to the reproduction of the Appraisal as Appendix D to the Official Statement and to the references to the Appraiser and the Appraisal made in the Official Statement; (v) that the Official Statement has been reviewed on behalf of the Appraiser and to the best knowledge of the Appraiser the statements concerning the Appraisal and the value of the property contained in the Official Statement are true, correct and complete in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in

order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vi) the District and the Underwriter are entitled to rely on the Certificate;

(18) A copy of the Appraisal;

(19) A certificate from Willdan Financial Services (“Special Tax Consultant”) to the effect that (i) the Special Tax if applied in accordance with the terms as set forth in the rate and method of apportionment of special taxes with respect to the District (the “RMA”), after deducting Administrative Expenses, will annually yield sufficient revenue to make timely payments of debt service on the District Bonds, provided that information and other data supplied by the District, by the Underwriter or by any of their agents, which has been relied upon by the Special Tax Consultant is true and correct, (ii) the Special Tax, if collected in the maximum amounts permitted pursuant to the RMA on the Closing Date, would generate at least 110% of the maximum debt service payable with respect to the District Bonds during each fiscal year, based on a debt service schedule supplied by O’Connor & Company Securities, Inc. and relied upon by the Special Tax Consultant, (iii) the debt service with respect to the District Bonds, if paid in accordance with their terms, will be sufficient to pay debt service payable with respect to the Bonds (iv) the information supplied by such firm for use in the sections of the Official Statement captioned “APPENDIX C – RATE AND METHOD OF APPORTIONMENT” is true and correct as of the date of the Official Statement and as of the Closing Date, and (v) the description of the RMA contained in the Official Statement is correctly presented in all material respects; and

(20) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Authority’s and the District’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the District on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter. The opinions and other documents presented as exhibits to this Purchase Contract or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms attached as exhibits to this Purchase Contract or as Appendices to the Official Statement.

If the Authority and the District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the District shall be under any further obligation hereunder.



9. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the District in writing or by telegram, of their election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have occurred or been discovered as described in paragraph (m) of Section 5 or paragraph (m) of Section 6 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Purchase Contract shall be terminated pursuant to Section 8 or this Section 9, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Authority or the District to comply with any of the terms or to fulfill any of the conditions of this Purchase Contract, or if for any reason the Authority or the District shall be unable to perform all of its obligations under this Purchase Contract, neither the Authority nor the District shall be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Purchase Contract.

10. **Payment of Costs and Expenses.** (a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Authority and its Counsel, the Financing Consultant, Disclosure Counsel and other consultants; (ii) the fees and expenses of the District, its Counsel, the Financing Consultant, Disclosure Counsel and other consultants; (iii) the fees and expenses of Bond Counsel; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds and the District Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) California Municipal Statistics fees, CUSIP Bureau charges, fees of Public Securities Association and California Public Securities Association, MSRB fees, California Debt and Investment Advisory Commission fees; (vii) the fees and expenses of the Trustee and Fiscal Agent and its counsel and all other fees and expenses of the Underwriter except as provided in paragraph (b) below shall be payable by the Authority from the proceeds of the Bonds.

(b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds and all other expenses incurred by it in connection with its public offering and distribution of the Bonds.

11. **Representations, Warranties and Agreements to Survive Delivery.** The representations, warranties, indemnities, agreements and other statements of the Authority, the District and the Underwriter or their officers or partners set forth in, or made pursuant to, this Purchase Contract will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority, the District or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

12. **Notices.** Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing:

To the Authority: Perris Joint Powers Authority  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attention: City Manager

To the District: Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
c/o City of Perris  
101 North "D" Street  
Perris, California 92570  
Attention: City Manager

To the Underwriter: O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627  
Attention: Tony Wetherbee

13. **Parties in Interest.** This Purchase Contract is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the District's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

14. **Determination of End of the Underwriting Period.** For purposes of this Purchase Contract, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Authority and the District have been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934 (the "Rule") will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority and the District by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Authority and the District pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority and the District in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule.

15. **Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance by the designees of the Authority and the District and shall be valid and enforceable at the time of such acceptance.

16. **Headings.** The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

17. **Governing Law.** This Purchase Contract shall be construed in accordance with the laws of the State of California.

18. **Counterparts.** This Purchase Contract may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Purchase Contract please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the District and the Underwriter in accordance with its terms.

Very truly yours,

**O'CONNOR & COMPANY SECURITIES, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Accepted:

This \_\_\_\_ day of \_\_\_\_\_, 2015

**PERRIS JOINT POWERS AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**COMMUNITY FACILITIES DISTRICT NO. 2006-2  
(MONUMENT PARK ESTATES) OF THE CITY OF PERRIS**

By: \_\_\_\_\_  
Assistant City Manager

Exhibit A

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
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Exhibit B

Supplemental Opinion of Aleshire & Wynder, LLP  
Addressed to the Underwriter

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)),  
2015 Series B

\_\_\_\_\_, 2015

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

This letter is addressed to you, as the Underwriter, pursuant to Section 8(e)(9) of the Purchase Contract, dated \_\_\_\_\_, 2015 (the "Purchase Contract"), by and among you, the Perris Joint Powers Authority (the "Authority") and the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the "District"), providing for the purchase of \$ \_\_\_\_\_ aggregate principal amount of Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B (the "Authority Bonds"). The Authority Bonds are being issued pursuant to the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015, between the Authority and U.S. Bank National Association (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture of Trust or, if not defined in the Indenture of Trust, in the Purchase Contract.

In addition to the opinions set forth in our final legal opinion concerning the validity of the Authority Bonds and certain other matters, dated the date hereof and addressed to the Authority (but which may be relied upon by you to the same extent as if such opinion were addressed to you), and based on and subject to the matters referred to in the second through fourth paragraphs of said final legal opinion (but excluding the last sentence of the fourth paragraph thereof) (which are hereby incorporated herein by reference), and in reliance thereon, as of the date hereof, we are of the following opinions or have reached the following conclusions:

1. The Authority Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture of Trust is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by the Authority and the District and (assuming due authorization, execution and delivery by, and validity against, the Underwriter) is a valid and binding agreement of the Authority and the District. We call attention to the fact that the rights and obligations under the Purchase Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities formed pursuant to Government Code Section 6500 and following in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained therein.

3. The statements contained in the Official Statement, dated \_\_\_\_\_, 2015, with respect to the Authority Bonds, on the cover of the Official Statement and under the captions "SUMMARY STATEMENT," "THE BONDS," "SOURCES OF PAYMENT FOR THE BONDS," "LEGAL MATTERS – TAX EXEMPTION," "APPENDIX A – SUMMARY OF THE INDENTURE" and "APPENDIX B – SUMMARY OF THE FISCAL AGENT AGREEMENT" insofar as such statements expressly summarize certain provisions of the Indenture, the Fiscal Agent Agreement, the Authority Bonds and our opinion concerning certain federal tax matters relating to the Authority Bonds, are accurate in all material respects.

This letter is furnished by us as bond counsel to the Authority. No attorney-client relationship has existed or exists between our firm and you in connection with the Authority Bonds or by virtue of this letter. Our engagement with respect to the Authority Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you as Underwriter, is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to be relied upon by owners of the Authority Bonds.

The foregoing represent our interpretation of applicable law to the facts as described herein. We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of a result.

Respectfully submitted,

Exhibit C

Opinion of Aleshire & Wynder, LLP,  
Special Counsel to the Authority and the District and addressed to the Underwriter

§ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)),  
2015 Series B

\_\_\_\_\_, 2015

Perris Joint Powers Authority  
101 North "D" Street  
Perris, California 92570

Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
c/o City of Perris  
Perris, California 92570

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

We are acting as counsel for the Perris Joint Powers Authority (the "Authority"), the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the "District") and the City of Perris (the "City") and have acted as counsel to the Authority, the District and the City in connection with the matters referred to herein. As such counsel we have examined and are familiar with (i) documents relating to the existence, organization and operation of the Authority, the District and the City provided to us by the Authority, the District and the City, (ii) certifications by officers of the Authority, the District and the City and (iii) all necessary documentation of the Authority, the District and the City relating to the authorization, execution and delivery of the Indenture of Trust (the "Authority Indenture") dated as of \_\_\_\_\_ 1, 2015, by and between the Authority and U.S. Bank National Association (the "Trustee"). Terms used herein and not otherwise defined have the respective meanings set forth in the Purchase Contract, dated \_\_\_\_\_, 2015, by and among O'Connor & Company Securities, Inc., the Authority and the District.

Based upon the foregoing and such examination of law and such other information, papers and documents as we deem necessary or advisable to enable us to render this opinion, including the Constitution and laws of the State of California, together with the



resolutions, ordinances and public proceedings of the Authority and the District, we are of the following opinions:

(1) The Authority is duly organized and existing under the laws of the State of California.

(2) The District is duly organized and existing under the laws of the State of California.

(3) The City is duly organized and existing under the laws of the State of California.

(4) To the best of our knowledge, the Resolution of the Authority authorizing the Indenture, the Purchase Contract and the Local Obligation Purchase Contract were duly adopted at meetings of the Authority which were duly called and held;

(5) To the best of our knowledge, the Resolutions of the City Council, acting on behalf of the District, relating to formation of the District, the levy of the Special Tax in the District and authorizing the Fiscal Agent Agreement and the Local Obligation Purchase Contract were duly adopted at meetings of the City Council which were duly called and held;

(6) To the best of our knowledge, the Ordinance of the City authorizing the levy of the Special Tax in the District was duly read and adopted at a meeting of the City Council which was duly called and held;

(7) To the best of our knowledge, the statements and information contained in the Official Statement in the section entitled "LEGAL MATTERS – ABSENCE OF LITIGATION" as of the date thereof and as of the date hereof, does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(8) To the best of our knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the Authority, the District or the City, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, the District or the City, or the title of their respective members and officers to their respective offices; (ii) enjoin or restrain the issuance, sale or delivery of the Authority Bonds or the District Bonds, the receipt of any other moneys or property pledged or to be pledged under the Indenture, the Fiscal Agent Agreement or the pledge thereof; (iii) in any way question or affect any of the rights, powers, duties or obligations of the Authority under the Indenture or of the District under the Fiscal Agent Agreement or with respect to the Special Taxes in the District or the moneys and assets pledged or to be pledged to pay the principal of, premium, if any, or interest on the Bonds or the District Bonds; (iv) in any way questioning or affecting any authority for the issuance of the Bonds, the District Bonds or the validity or

enforceability of the Bonds or the District Bonds; or (v) in any way questioning or affecting the Purchase Contract or the Local Obligation Purchase Contract or the transactions contemplated by the Purchase Contract, the Local Obligation Purchase Contract, the Indenture or the Fiscal Agent Agreement.

(9) The execution and delivery of the Authority Documents and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner which would materially adversely affect the Authority's performance under the Authority Documents.

(10) The execution and delivery of the District Documents and the other instruments contemplated by any of such documents to which the District is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound in a manner which would materially adversely affect the District's performance under the District Documents.

(11) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority and the District of their obligations under the Authority Documents and the District Documents, respectively, have been obtained and are in full force and effect.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Authority, the District, the City and O'Connor & Company Securities, Inc. This letter is furnished by us as counsel to the Authority, the District and the City. Other than the Authority, the District and the City, no attorney-client relationship has existed or exists between us and O'Connor & Company Securities, Inc. in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you, is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of the Bonds. No other person is entitled to rely on this opinion, nor may the addressees rely on it in connection with any transactions other than those described herein.

Respectfully submitted,

Exhibit D

Opinion of Norton Rose Fulbright US LLP, Disclosure Counsel  
Addressed to the Issuer, the District and the Underwriter

\$ \_\_\_\_\_  
Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)),  
2015 Series B

\_\_\_\_\_, 2015

Perris Joint Powers Authority  
101 North "D" Street  
Perris, California 92570

Community Facilities District No. 2006-2  
(Monument Park Estates) of the City of Perris  
c/o City of Perris  
Perris, California 92570

O'Connor & Company Securities, Inc.  
234 East 17<sup>th</sup> Street, #114  
Costa Mesa, California 92627

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the Perris Joint Powers Authority (the "Issuer") with respect to the issuance of the above captioned bonds (the "Bonds"). The Bonds are being issued pursuant to the provisions of the Constitution and the laws of the State of California, including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), of Division 7 of Title 1 of the Government Code of the State of California, as in existence on the Closing Date or as thereafter amended from time to time (the "Bond Law"). The Bonds shall be issued and secured pursuant to an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds. The Bonds are more fully described in the final Official Statement of the Issuer dated \_\_\_\_\_, 2015 (the "Official Statement"). Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Official Statement.

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

This opinion is limited to matters governed by the Federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to you in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in conferences with, among others, your representatives and representatives of Bond Counsel, the Financing Consultant, the Authority, the City, the District, and other consultants, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption "LEGAL MATTERS – TAX EXEMPTION," and in the Appendices thereto, as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to you, as Disclosure Counsel to the Issuer, solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Very truly yours,

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of \_\_\_\_\_ 1, 2015, is executed and delivered by Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (the “District”) and Willdan Financial Services, as dissemination agent (the “Dissemination Agent”), in connection with the issuance of the \$ \_\_\_\_\_ Perris Joint Powers Authority Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2015 (the “Indenture”), by and between the Perris Joint Powers Authority (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). The District and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report or any addendum thereto provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean Willdan Financial Services, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than December 31 of each year, commencing December 31, 2015, provide to the MSRB and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District of such failure to receive the Annual Report. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall, to the extent information is known to it, file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent Fiscal Year and shall be with respect to the District):

(i) The audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles in effect from time to time. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the most recently filed audited financial

statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) Total assessed valuation (per the Riverside County Assessor's records) of all parcels currently subject to the Special Tax showing the total assessed valuation for all land and the total assessed valuation for the then current Fiscal Year.

(iii) Number of building permits issued during the most recent Fiscal Year starting with the Fiscal Year ending June 30, 2016.

(iv) The actual amount of the Special Tax levy and the maximum amount that can be levied pursuant to the rate and method of apportionment relating to the District for the then current Fiscal Year.

(v) With respect to delinquencies within the District:

(a) delinquency information with respect to the April 10 tax payment date (including, without limitation, the parcel number of each delinquent parcel, the identity of the property owner and the amount then delinquent) for each parcel delinquent in the payment of \$2,500 or more in Special Tax or any parcels under common ownership that are responsible for \$5,000 or more of Special Tax; and

(b) the total dollar amount of delinquencies with respect to the December 10 tax payment date and, in the event that such total delinquencies with respect to the April 10 tax payment date exceed 5% of the Special Tax for the previous year, a list of all delinquent parcels, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(vi) The principal amount of prepayments of the Special Tax as of the then current Fiscal Year's Special Tax levy date.

(vii) A current debt service schedule for the outstanding Bonds and the District Bonds.

(viii) The principal amount of the Bonds outstanding and the balances in the Reserve Account (along with a statement of the Reserve Requirement), Cash Flow Management Fund (along with a statement of the Cash Flow Management Fund Requirement) and the Delinquency Management Fund (along with a statement of the Delinquency Management Fund Requirement) as of the September 30 next preceding the Annual Report date.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet Website or filed with the SEC.



SECTION 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this section, upon the occurrence of any of the following events (in each case to the extent applicable) with respect to the Bonds, the District shall give, or cause to be given by so notifying the Dissemination Agent in writing and instructing the Dissemination Agent to give, notice of the occurrence of such event, in each case, pursuant to Section 5(c) hereof:

1. principal or interest payment delinquencies;
2. non-payment related defaults, if material;
3. modifications to the rights of the Bondholders, if material;
4. optional, contingent or unscheduled calls, if material, and tender offers;
5. defeasances;
6. rating changes;
7. adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on the credit enhancements reflecting financial difficulties;
10. substitution of the credit or liquidity providers or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds, if material;
12. bankruptcy, insolvency, receivership or similar proceedings of the Authority, which shall occur as described below;
13. appointment of a successor or additional trustee or the change of name of a trustee, if material, or;
14. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

For these purposes, any event described in item 12 of this Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any

other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

(b) Upon receipt of notice from the District and instruction by the District to report the occurrence of any Listed Event, the Dissemination Agent shall provide notice thereof to the MSRB in accordance with Section 5(c) hereof. In the event the Dissemination Agent shall obtain actual knowledge of the occurrence of any of the Listed Events, the Dissemination Agent shall, immediately after obtaining such knowledge, contact the Disclosure Representative, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Section 5(c). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Event shall mean actual knowledge by the Dissemination Agent, if other than the Trustee, and if the Dissemination Agent is the Trustee, then by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Dissemination Agent shall have no responsibility to determine the materiality, if applicable, of any of the Listed Events.

(c) The District, or the Dissemination Agent, if the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, shall file a notice of such occurrence with the MSRB in a timely manner not more than ten business days after the occurrence of the event.

SECTION 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Willdan Financial Services. The Dissemination Agent may resign by providing thirty days’ written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure

Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District) provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Disclosure Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and the Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and the

Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. Neither the Trustee nor the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:                                 Community Facilities District No. 2006-2  
  (Monument Park Estates) of the City of Perris  
  c/o City of Perris  
  101 North "D" Street  
  Perris, California 92570  
  Attn: City Manager  
  Phone: (951) 943-6100

To the Dissemination Agent: Willdan Financial Services  
  27368 Via Industria, Suite 110  
  Temecula, California 92590  
  Attn: Disclosure Group  
  Phone: (951) 587-3500

To the Trustee:                                     U.S. Bank National Association  
  633 West Fifth Street, 24<sup>th</sup> Floor  
  Los Angeles, California 90071  
  Attention: Corporate Trust Services  
  Phone: (213) 615-6062

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

COMMUNITY FACILITIES DISTRICT NO.  
2006-2 (MONUMENT PARK ESTATES) OF  
THE CITY OF PERRIS

By \_\_\_\_\_  
City Manager of the City of Perris

WILLDAN FINANCIAL SERVICES, as  
Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris

Name of Bond Issue: Perris Joint Powers Authority  
Local Agency Revenue Bonds (CFD No. 2006-2 (Monument Park Estates)), 2015 Series B

Date of Issuance: \_\_\_\_\_, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of \_\_\_\_\_ 1, 2015, with respect to the Bonds. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

WILLDAN FINANCIAL SERVICES,  
on behalf of the District

cc: Issuer

**APPRAISAL REPORT**

**CITY OF PERRIS  
COMMUNITY FACILITIES DISTRICT NO. 2006-2  
MONUMENT PARK ESTATES  
2015 SPECIAL TAX BONDS**

Prepared for:

CITY OF PERRIS  
101 North D Street  
Perris, CA 92570

James B. Harris, MAI  
Berri J. Cannon Harris  
**Harris Realty Appraisal**  
5100 Birch Street, Suite 200  
Newport Beach, CA 92660

January 2015

January 30, 2015

Mr. Ron Carr  
Assistant City Manager  
CITY OF PERRIS  
101 North D Street  
Perris, CA 925720  
Re: ***Community Facilities District No. 2006-2  
Monument Park Estates  
2015 Special Tax Bonds***

Dear Mr. Carr:

In response to your authorization, we have prepared a self-contained appraisal report that addresses all of the property within the boundaries of Community Facilities District No. 2006-2, (CFD No. 2006-2). This appraisal includes an estimate of Minimum Market Value of all the property subject to special tax. This land is under the ownerships of one merchant builder, KB Home Coastal Inc. and 285 individual homeowners. The build-out of the District is for 386 single family detached dwelling units.

The appraisal includes a mass appraisal analysis for the completed and occupied dwelling units, which results in a Minimum Market Value for the District. Please review the definitions of Minimum Market Value and Mass Appraisal listed in the definitions section of this report.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), each ownership is valued in bulk, representing a discounted value to that ownership as of the date of value.

Based on the investigation and analyses undertaken, our experience as real estate appraisers and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of Minimum Market Value are formed as of January 15, 2015.

**CFD No. 2006-2**

**NINETY-THREE MILLION DOLLARS**

**\$93,000,000**



Mr. Ron Carr  
January 30, 2015  
Page Two

**285 Individual Homeowners**

**EIGHTY MILLION DOLLARS  
\$80,000,000**

**KB Home Coastal Inc.**

**THIRTEEN MILLION DOLLARS  
\$13,000,000**

**(42 Dwellings Completed and U/C - \$9,200,000)  
(59 Finished Lots - \$3,800,000)**

***The estimated net bond proceeds for CFD No. 2006-2 are \$9,000,000±. The eligible expenses are for City of Perris facilities and/or fees as described in the Community Facilities Report. The appraisers have estimated \$2,800,000 of reimbursements are attributed to the 59 undeveloped lots, which includes development of the park site.***

The self-contained appraisal report that follows sets forth the results of the data and analyses upon which our opinions of value are, in part, predicated. This report has been prepared for the City of Perris for use in the sale of Community Facilities District No. 2006-2. The intended users of this report are the City of Perris, its underwriter, financial advisor, legal counsel, consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of *The Appraisal Standards for Land Secured Financing* as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

We meet the requirements of the Competency Provision of the *Uniform Standards of Professional Appraisal Practice*. A statement of our qualifications appears in the Addenda.

Respectfully submitted,

Berri J. Cannon Harris  
Principal  
AG009147

James B. Harris, MAI  
Principal  
AG001846

Aerial

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**SUMMARY OF FACTS AND CONCLUSIONS**

<b>EFFECTIVE DATE OF APPRAISAL</b>	January 15, 2015						
<b>DATE OF REPORT</b>	January 30, 2015						
<b>INTEREST APPRAISED</b>	Fee Simple Estate, subject to special tax liens						
<b>LEGAL DESCRIPTION</b>	Lots 1 to 83, Tract No. 31926 Lots 1 to 119, Tract No. 31926-2 Lots 1 to 184, Tract No. 36343						
<b>OWNERSHIPS</b>	285 individual homeowners KB Home Coastal Inc.						
<b>SITE CONDITION</b>	The District has all site development completed. 319 of the dwelling units are built. Of the 319 completed dwellings, 285 have closed escrow to individual homeowners. Twenty-two dwellings are in escrow, three dwellings are model homes and nine dwellings are available for sale. Eight dwellings are under construction, from framing to color coat with roofs under construction. The fifty-nine remaining lots are in a physically finished lot condition.						
<b>HIGHEST AND BEST USE</b>	Single-family detached homes						
<b>VALUATION CONCLUSIONS</b>	<table><tr><td><b>Minimum Market Value</b></td><td><b>\$93,000,000</b></td></tr><tr><td><b>285 Individual Homeowners</b></td><td><b>\$80,000,000</b></td></tr><tr><td><b>KB Home Coastal Inc.</b></td><td><b>\$13,000,000</b></td></tr></table>	<b>Minimum Market Value</b>	<b>\$93,000,000</b>	<b>285 Individual Homeowners</b>	<b>\$80,000,000</b>	<b>KB Home Coastal Inc.</b>	<b>\$13,000,000</b>
<b>Minimum Market Value</b>	<b>\$93,000,000</b>						
<b>285 Individual Homeowners</b>	<b>\$80,000,000</b>						
<b>KB Home Coastal Inc.</b>	<b>\$13,000,000</b>						

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## **INTRODUCTION**

### **Purpose of the Report**

The purpose of this appraisal is to estimate the Minimum Market Value for the *fee simple estate, subject to special tax liens* for all the taxable property within CFD No. 2006-2, Monument Park Estates, located in the City of Perris in Riverside County. The purpose of this appraisal is to estimate the "As Is" Minimum Market Value of the property within the District under the ownerships of the merchant builder and 285 homeowners.

The opinions set forth are subject to the assumptions and limiting conditions set forth in this appraisal, and the appraisal guidelines as set forth by the City of Perris.

### **Function of the Report and Intended Use**

It is our understanding that this appraisal report is to be used for Community Facilities District bond financing purposes only. The subject property is described more particularly within this report. The bonds are issued pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended. The maximum authorized bonded indebtedness for CFD No. 2006-2 is \$16,000,000.

### **Client and Intended Users of the Report**

This report was prepared for our client, the City of Perris. The intended users of the report include the City, its legal counsel, underwriter, financial advisor, consultants, and potential bond purchasers.

### **Scope of the Assignment**

According to the CDIAAC guidelines, the total value conclusion includes the "As Is" estimate of Minimum Market Value for the property subject to special tax within the boundaries of CFD No. 2006-2. The property is under the ownership of the merchant builder, KB Home Coastal Inc. and 285 individual ownerships. This is a fully documented self-contained appraisal report. Any lands designated for park, open space or civic uses within this CFD and not subject to special tax are not included in this assignment.

The residential land and improvements are valued in their "as is" condition as of the date of value. All on-site development for CFD No. 2006-2 is complete. However, to complete all required on-site and off-site development requirements for the CFD, an off-site park and traffic signal are to be constructed. According to the builder, the remaining cost is approximately \$1,760,000. 319 dwellings are essentially complete; 285 have closed escrow to individual homeowners and twenty-two dwellings were in escrow as of January 15, 2015. Three dwellings are used as model homes, eight dwellings are under construction and 59 lots are in a physically finished lot condition.

We have analyzed the subject property based upon the existing use and our opinion of its highest and best use. We have searched for sales of similar subdivisions to estimate the value of the property.

The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), City of Perris (zoning information, building permit trends), Temecula Chamber of Commerce (local demographic trends), Metrostudy (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject information was gathered from the builder and their consultants.
2. Inspected the subject's neighborhood and reviewed existing product and similar products for consideration of Highest and Best Use of the District.

### **Date of Value and Report**

The opinion of Minimum Market Value expressed in this report is stated as of January 15, 2015. The date of the appraisal report is January 30, 2015.

### **Date of Inspection**

The subject property was inspected on several occasions, with the most recent on January 16, 2015.

### **Property Rights Appraised**

The property rights appraised are those of the *fee simple estate subject to special tax liens* of the real estate described herein.

### **Property Identification**

The 386 existing lots and dwellings within CFD No. 2006-2 are known as Monument Park Estates. The 386 lots, when built out, will consist of four subdivisions known as Villages at Monument Park I and II, Sequoia and Cabrillo. Villages at Monument Park I was the first product to be developed which opened for sales on November 17, 2010. Villages at Monument Park II open on May 27, 2011. All of these dwellings have been built and sold to individual homeowners. Sequoia opened for sales on May 18, 2013. All of the units are built, of which 59 have closed escrow, 3 are in escrow and 6 are available for sale. The last product offered, which is currently in an active sales program, is known as Cabrillo, and is planned for a total of 184 dwelling units. Of the 184 dwellings, 92 have closed escrow, 19 are in escrow, 3 are available for sale, 3 dwellings are used as models, 8 are under construction and there are 59 physically finished lots. CFD No. 2006-2 contains about 133± gross acres. The indicated density is 2.9± units per acre. The District is located north of Ethanac Road, west of Goetz Road and south of the San Jacinto Flood Control Channel. The District includes all of Final Tract Map Nos. 31926, 31926-2 and 36343.

Please refer to the map on the following page, which outlines the boundaries of CFD No. 2006-2, prepared by Koppel & Gruber, Public Finance.

### **Legal Description and Ownership**

As previously mentioned, the subject of this appraisal includes the ownerships of one merchant builder which holds title as KB Home Coastal Inc. and 285 individual homeowners. As of the date of value, 101 lots remain under the merchant builder's ownership. The legal description of the District is: Lots 1-83, Tract No. 31926; Lots 1-119, Tract No. 31926-2; and Lots 1-184, Tract No. 36343. Please refer to the Addenda of this report for a lot by lot summary of each ownership.





## **Property History**

CFD No. 2006-2 was purchased on June 30, 2010, by KB Home Coastal Inc. The seller was SA California Group, Inc. The reported purchase price was \$17,175,000, which equates to \$44,495 per lot assuming development of 386 lots. Subsequent to the sale, the buyers remapped a portion of the property which allowed for total development of 386 lots. Tract 31926 included paving with dry utilities and development costs of \$9,200 per lot. Tract 31926-2 was partially paved and graded on the balance of the tract with development costs of \$26,000/lot. Tract 31926-1 was graded with development costs of \$32,000 per lot. Tract 31926-1 was remapped after the land purchase to Tract 36343 which allowed for denser development. The CFD was formed at the time of sale

## **Definitions**

### **Market Value<sup>1</sup>**

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

### **Minimum Market Value**

It may be appropriate for projects that have built-out and occupied product to use mass appraisal techniques. When conforming groups of property types within the same CFD are built and have achieved a stabilized occupancy, appraisers may use a limited valuation analysis to value a sampling of similar properties. In this analysis, the overall average sales price per

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<sup>1</sup> Part 563, subsection 563.17-1a(b)(2), Subchapter D, Chapter V, Title 12, Code of Federal Regulations.

square foot is compared for each year. A conservative estimate of value per square foot is used in estimating Minimum Market Value for the 285 built and sold dwellings within CFD No. 2006-2.

### **Mass Appraisal**

When a tract or project is built-out and absorbed, the appraiser may use an aggregate value estimate based upon *conservative per dwelling unit estimates*. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value for the average size unit within the District. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

### **Fee Simple Estate<sup>2</sup>**

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

### **Fee Simple Estate Subject to Special Tax and Special Assessment Liens**

Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual special tax and/or special assessment payments can be substantial, and prospective buyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments.

The Minimum Market Value included herein, reflects the value potential buyers would consider given the special tax lien of Community Facilities District No. 2006-2.

### **Retail Value**

Retail value should be estimated for all fully improved and sold properties. Retail value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.

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<sup>2</sup> *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 140

### **Physically Finished Lot**

Physically finished lot requiring development impact fees and possibly minor site work before development can proceed.

### **Finished Site<sup>3</sup>**

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include padded lot, streets and utilities to the lot, and all fees required to issue a building permit paid.)

### **Extraordinary Assumptions, Assumptions and Limiting Conditions**

The analyses and opinions set forth in this report are subject to the following assumptions and limiting conditions:

Standards Rule ("S.R.") 2-1(c) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the appraisers to "clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion." In compliance with S.R. 2-1(c) and to assist the reader in interpreting the report, the following contingencies, assumptions and limiting conditions are set forth as follows:

#### **Extraordinary Assumptions of the Appraisal**

The opinions of value rely on the information provided by the District's Special Tax Consultant, which we have assumed to accurately identify the properties within CFD No. 2006-2. It is a specific assumption of this appraisal that the appraisers have been provided with a summary of all the parcels subject to special tax within the CFD.

The Minimum Market Value expressed in this report does not apply to any specific dwelling unit.

The appraisal is contingent upon the successful issuance and funding of Community Facilities District No. 2006-2, through the City of Perris. The special tax formula was prepared on behalf of the City by Willdan Financial Services.

#### **Assumptions and Limiting Conditions**

No responsibility is assumed by your appraisers for matters that are legal in nature. No opinion of title is rendered, and the property is appraised as

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<sup>3</sup> Ibid, Page 334

though free of all encumbrances and the title marketable. No survey of the boundaries of the property was undertaken by your appraisers. All areas and dimensions furnished to your appraisers are presumed to be correct.

The date of value for which the opinions of Minimum Market Value are expressed in this report is January 15, 2015. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

Maps, plats, and exhibits included herein are for illustration only, as an aid for the reader in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

Oil, gas, mineral rights and subsurface rights were not considered in making this appraisal unless otherwise stated and is not a part of the appraisal, if any exist.

The appraisers were not provided with a soil report for CFD No. 2006-2, however, all of the District has been graded and improved to 386 physically finished lots, with 319 completed dwellings. For purposes of this appraisal, the soil is assumed to be of adequate load-bearing capacity to support all uses considered under our conclusion of Highest and Best Use.

The appraisers have been provided with three preliminary title reports for CFD No. 2006-2. The reports were dated December 29, 2014, and prepared by First American Title Company. The reports cover Tract Nos. 31926, 31926-2 and 36343. For purposes of this appraisal, we are not aware of any easements, encroachments or restrictions that would adversely impact the value of the subject properties. Special taxes for CFD No. 2006-2 were listed on the title reports.

Information contained in this report has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

Since earthquakes are common in the area, no responsibility is assumed for their possible affect on individual properties, unless detailed geologic reports are made available.

The appraisers have inspected as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representations are made as to these matters unless specifically considered in the report.

The appraisers assume no responsibility for economic or physical factors that may occur after the date of this appraisal. The appraisers, in rendering these opinions, assume no responsibility for subsequent changes in

management, tax laws, environmental regulations, economic, or physical factors that may or may not affect said conclusions or opinions.

No engineering survey, legal, or engineering analysis has been made by us of this property. It is assumed that the legal description and area computations furnished are reasonably accurate. However, it is recommended that an analysis be made for exact verification through appropriate professionals before demising, hypothecating, purchasing or lending occurs.

The appraisers have not been provided with plans or specifications for the existing dwellings within the District. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features will meet market demand for new product in the market area in which the subject is located. This is a specific assumption of the value estimate included in the report.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraisers' inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test for such substances or conditions.

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in the field of environmental impacts upon real estate if so desired.

The cost and availability of financing help determine the demand for and supply of real estate and therefore affect real estate values and prices. The transaction price of one property may differ from that of an identical property because financing arrangements vary.

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

The forecasts of future events that influence the valuation process are predicated on the continuation of historic and current trends in the market.

The property appraised is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws, and the property is in conformance with all applicable zoning and use ordinances/restrictions, unless otherwise stated.

The *Americans with Disabilities Act* (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

We shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraisers relative to such additional employment.

In the event the appraisers are subpoenaed for a deposition, judicial, or administrative proceeding, and are ordered to produce their appraisal report and files, the appraisers will immediately notify the client.

The appraisers will appear at the deposition, judicial, or administrative hearing with his/her appraisal report and files and will answer all questions unless the client provides the appraisers with legal counsel who then instructs them not to appear, instructs them not to produce certain documents, or instructs them not to answer certain questions. These instructions will be overridden by a court order which the appraisers will follow if legally required to do so. It shall be the responsibility of the client to obtain a protective order.

The appraisers have personally inspected the subject property; however, no opinion as to structural soundness of existing improvements or conformity to any applicable building code is made. The appraisers assume no responsibility for undisclosed structural deficiencies/conditions. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member to control the uses and distribution of each appraisal report signed by such Member. Except as



hereinafter provided, possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers and in any event only with properly written qualification and only in its entirety. **The City of Perris, its underwriter and legal counsel may publish this report in the Official Statement for this Community Facilities District.**

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, news media or any other public means of communication without the prior consent and approval of the undersigned.

The acceptance of and/or use of this appraisal report by the client or any third party constitutes acceptance of the following conditions:

**The liability of Harris Realty Appraisal and the appraisers responsible for this report is limited to the client only and to the fee actually received by the appraisers. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.**

**If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraisers prevail, the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraisers for any and all costs of any nature, including attorneys' fees, incurred in their defense.**

## **AREA DESCRIPTION**

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for the Southern California region, Riverside County, City of Perris and the subject market area.

### **Southern California Regional Overview**

The Southern California region, as defined in this report, encompasses six individual counties including Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties. The Southern California region extends from the California-Mexico border on the south to the Tehachapi mountain range on the north and from the Pacific Ocean on the west to the California-Arizona border on the east. The region covers an estimated 38,242 square miles and embodies a diverse spectrum of climates, topography, and level of urban development. Please refer to the following page for a location map.

#### **Population**

The Southern California region has added about 8.0 million new residents since 1980 as indicated in the table shown on page 14. According to the California Department of Finance, the most recent data available indicate that as of January 2014, the regional population stood at over 21.6 million. If the region were an individual state, it would rank as one of the most populous in the nation.

Since 2000, annual population gains from natural increase and immigration have ranged from a negative 738,081 persons in 2010 up to 397,400 persons in 2002. These figures represent annual gains/losses of -3.4% to 2.0%. During the past five years, the population of the six-county Southern California region grew by a negative 3.4% to a positive 0.9% per annum.

As of January 2014 the population of the six-county area stood at 21,558,800 persons. Looking toward the future it is estimated that the region's population will continue



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to climb as new residents seek out the Southern California area. Starting with the economic downturn from 1992 through 1996, and continuing through 2012, the population growth rate declined compared to the growth experienced in the late 1980s. The regional and county populations experienced a negative 3.4% adjustment in the year 2010. This was due to the U.S. Census. The U.S. Census actual counts were significantly less than the prior State of California projections.

**Population Trends  
1980-2014<sup>1</sup>**

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980 <sup>1</sup>	13,359,673	--	--
1990	17,029,545	366,987	2.7%
2000	19,187,487	215,795	1.3%
2001	19,522,500	335,000	1.7%
2002	19,919,900	397,400	2.0%
2003	20,299,100	379,200	1.9%
2004	20,629,300	330,200	1.6%
2005	20,902,600	273,300	1.3%
2006	21,147,200	244,600	1.2%
2007	21,430,300	266,100	1.3%
2008	21,491,700	61,400	0.3%
2009	21,710,400	218,700	1.0%
2010	20,972,319	(738,081)	(3.4%)
2011	21,106,400	134,081	0.6%
2012	21,207,500	101,100	0.5%
2013	21,356,900	149,400	0.7%
2014	21,558,800	201,900	0.9%

<sup>1</sup> April 1, 1980, 1990, 2000, and 2010 all other years January 1  
Source: California Department of Finance 5/14

The future rate of growth will depend on a number of factors that may dramatically affect the region. Some of the major factors include availability of developable land, availability of water, national economic climate, and public policy toward growth and the assimilation of a large number of new foreign immigrants. The continued growth of the population within the region, even during periods of economic slowdown, provides a positive indicator as to the desirability of the Southern California region.

## Employment

In conjunction with the population growth, a key indicator of the region's economic vitality is the trend in employment. The most common measure of employment growth is the change in non-agricultural wage employment. The table below illustrates the non-agricultural wage employment trends in Southern California.

**Southern California Region  
Employment Trends  
1983-2013<sup>1</sup>**

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	5,691,000	--	--
1990	7,288,100	159,710	2.8%
2000	7,918,200	63,000	0.9%
2001	8,015,300	97,100	1.2%
2002	8,007,500	(7,800)	(0.1%)
2003	8,035,400	27,900	0.3%
2004	8,159,700	124,300	1.5%
2005	8,310,500	150,800	1.8%
2006	8,481,600	171,100	2.1%
2007	8,514,100	32,500	0.4%
2008	8,365,100	(149,000)	(1.8%)
2009	7,837,300	(527,800)	(6.3%)
2010	7,748,700	(88,600)	(1.1%)
2011	7,959,800	211,100	2.7%
2012	8,164,700	204,900	2.6%
2013	8,391,800	227,100	2.8%

<sup>1</sup> 2013 Benchmark

Source: Employment Development Department

4/14

In the Southern California region, average annual non-agricultural employment has grown from 5,691,000 jobs in 1983, to a then peak employment of 8,015,300 in 2001. Employment declined to 8,007,500 in 2002. This decline was mostly caused by a 46,800 job decrease in Los Angeles County. Each year between 2003 and 2007, Southern California employment climbed to a new record level, 8,514,100 in 2007. This was in spite of Los Angeles County only adding an additional 139,000± net jobs in four years. In 2008, the number of jobs declined by 149,000 to 8,365,100. The job losses accelerated in 2009

to a loss of 527,800 jobs for a total of 7,837,300 jobs. The job losses moderated in 2010 to a loss of 88,600 jobs, for a total of 7,748,700 jobs. This three year decline wiped out over ten years of employment increases. This represented a decrease of over 165,500 new jobs since 2000 in Southern California. During 2011, there was an increase of 2.7% to a total of 7,959,800 jobs. In 2012, employment increased by 2.6% to 8,164,700 jobs. In 2013, the jobs total was 8,391,800 or an increase of 2.8%. The last three years were the largest increases since 2000. Currently, the jobs total is back to the 2005-2006 level.

Employment among the individual industry categories reflects some fundamental regional changes in the economy during the past decade. The level of mining activity in Southern California continues to steadily decline as reflected in the consistent decrease in mining employment. Construction employment, as of 1989, was at a high level in response to the level of construction activity that had occurred in the region during the previous five years. During the period from 1991 through 1994, construction employment declined in response to decreased residential and commercial construction activity. From 1994 through 2006, as the economy rebounded, residential construction increased bringing back more than the construction jobs lost during the recession. Construction jobs have declined since the first quarter of 2007 as the residential market and commercial markets have weakened. There have been small increases over the last three years. As of 2013, there were 167,700 fewer construction jobs than in 2006. This reflects a 33% decline in construction jobs.

Total manufacturing employment in the region has exhibited little gain from the levels recorded in 1980. Due to the high labor, land, and capital costs in most of the Southern California region, some manufacturing firms have expanded or relocated their manufacturing operations outside of the area.

The Southern California economy, which historically depended heavily on aerospace and defense related employment, was dealt a double blow. First from the reduction of the space program and reduced defense spending which affected manufacturers and suppliers, and second from the closure of several military bases which

has had a ripple effect throughout the local economy. Areas heavily dependent on military spending will be impacted as the units are deployed abroad.

The finance, insurance, and real estate ("FIRE") employment category grew rapidly as the economy recovered from the 1981-1982 national recession. As the economy entered a recessionary cycle, the FIRE employment sector exhibited little growth from 1991 through 1995. Over the next ten years, job growth in this sector was significant. However, jobs began to decline in 2006 and are about 16% fewer in 2013 compared to 2006. There have been small increases over the last three years. Some of the manufacturing and aerospace jobs permanently displaced from the economy were slowly being replaced with administrative, marketing and research employment. It is reasonable to assume that similar stagnant growth in this area will be experienced during the current economy.

The employment group that has contributed most to the employment growth in the region is the service sector. Since 1980, the majority of all new jobs have been created in the service category. The service sector was the leader in new job growth during the last ten years.

Government employment tends to mirror the growth of the population that it services. It is expected that government employment will grow at a rate similar to the area population. The future employment growth in the Southern California region is expected to continue but at a level moderately lower than recent years. Factors that will affect employment growth include the direction of the national economy, wage levels, housing prices, and population trends. However, the California state budget deficit negatively impacted both state and local government employment, with a job loss of about 6% over the last four years.

### **Riverside County**

Riverside County consists of 28 individual cities and numerous unincorporated communities. Riverside County is typically grouped with adjacent San Bernardino County to form the Riverside-San Bernardino Metropolitan Statistical Area ("MSA"). This area is

commonly called the Inland Empire. Riverside County is bounded by Orange County to the west, San Bernardino to the north, the state of Arizona to the east, and San Diego County to the south.

The major urbanized areas are located in the western portion of the County. The major incorporated cities include the cities of Riverside, Corona, and Moreno Valley. These areas were the most active areas for new growth from the late 1990's until the recession took hold during 2008. The area which encompasses Lake Elsinore, Beaumont, Murrieta, Menifee Valley and Temecula has also experienced rapid growth since the mid 1990's. The areas that experienced the most active growth during the last decade also suffered the most during the recent lengthy recession.

### **Population**

Riverside County has more than tripled its population, adding approximately 1,591,860 new residents since 1980 as illustrated in the following table. As of the 2010 Census, the countywide population stood at 2,189,641 residents. The 2012 estimate by the State of California indicates that the County had 2,234,193 residents on January 1, 2012. This increased to 2,255,059 residents on January 1, 2013. By January 1, 2014, the population totaled 2,280,000 persons. Annual population gains, from natural increase and immigration, have ranged from 16,393 persons in 2012 up to 82,041 persons in 2010. Recent gains of 16,393 to 82,041 persons represent annual changes of 0.7% to 4.7% since 2004.

The future rate of growth within the County will depend on a number of factors. Some of the major factors include availability of developable land, availability of water, national and regional economic climate and public policy toward growth.

The areas within the County that will continue to experience the largest share of the new population growth will be the Corona-Riverside area and the area between Lake Elsinore, Menifee and Temecula.

**Riverside County  
Population Trends  
1980-2014**

<u>Year</u>	<u>Population</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1980	663,199	--	--
1990	1,170,413	50,721	7.6%
2000	1,545,387	37,497	3.2%
2001	1,590,200	44,813	2.9%
2002	1,653,800	63,600	4.0%
2003	1,726,300	72,500	4.4%
2004	1,807,600	81,300	4.7%
2005	1,888,300	80,700	4.5%
2006	1,953,300	65,000	3.4%
2007	2,031,600	78,300	4.0%
2008	2,078,600	47,000	2.3%
2009	2,107,600	29,000	1.4%
2010	2,189,641	82,041	3.9%
2011	2,217,800	28,159	1.3%
2012	2,234,200	16,400	0.7%
2013	2,255,700	21,500	1.0%
2014	2,280,000	24,300	1.1%

April 1, 1980, 1990, 2000, 2010, all other years January 1.

Source: California Department of Finance, U.S. Census 5/14

**Employment**

Employment data for Riverside County are compiled for the entire MSA, which includes San Bernardino and Riverside Counties. These counties have a diverse economy, with manufacturing, construction and tourism being the major industry groups. In conjunction with the rapid population growth experienced in the past two decades, the employment base continued to grow and diversify until 2007. The Inland Empire's unemployment rate is significantly above the Southern California average and higher than the State. The higher unemployment rate is due to the seasonal nature of agricultural employment in the area and the sharp decline in construction, manufacturing and logistics jobs. The following exhibit illustrates the area's unemployment compared to California as of December 2014. Unemployment rates have increased 44% from the record low of 5%± in 2006. The unemployment rate peaked in July 2010 at 15.1%.

	<u>Labor Force</u>	<u>Unemployment</u>
California	18,726,400	6.7%
Inland Empire	1,827,700	7.2%

The most common measure of employment growth is the increase in nonagricultural employment. Nonagricultural employment is outlined in the following exhibit. Beginning in the 1980's, the Inland Empire's employment base expanded rapidly as the area moved away from its military and government oriented employment base to a more fully diversified economy.

Nonagricultural employment has grown from an annual average of 443,100 jobs in 1983 to 1,226,400 jobs in 2013. This represents an increase of over 783,000 new jobs created in San Bernardino and Riverside Counties during the past 30 years. Job gains peaked in 1990 with 67,000 new jobs. Since 2000, job increases have ranged from a negative 91,900 new jobs in 2009, to a near record increase of 62,000 new jobs in 2005. However, during 2008, 2009 and 2010, the Inland Empire had losses of over 140,000 jobs. That reduced employment back to 2003-2004 levels. During 2011, 2012 and 2013 there was an increase of 115,200 jobs. Over the last five years, job growth has ranged from -7.5% to 4.4. The following table illustrates the annual employment trends from 1983 through 2013. In December 2014, the non-agricultural employment was 1,289,700 a 2.0% increase from December 2013.



**San Bernardino-Riverside MSA  
Employment Trends  
1983-2013**

<u>Year</u>	<u>Employment</u>	<u>Average Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1983	443,100	--	
1990	735,200	41,700	9.4%
2000	988,400	25,300	3.4%
2001	1,029,700	41,300	4.2%
2002	1,064,500	34,800	3.4%
2003	1,099,200	34,700	3.3%
2004	1,160,000	60,800	5.5%
2005	1,222,000	62,000	5.3%
2006	1,267,700	45,700	3.7%
2007	1,270,900	3,200	0.3%
2008	1,223,800	(47,100)	(3.7%)
2009	1,131,900	(91,900)	(7.5%)
2010	1,111,200	(20,700)	(1.8%)
2011	1,129,700	18,500	1.7%
2012	1,179,200	49,500	4.4%
2013	1,226,400	47,200	4.0%

2013 Benchmark

Source: Employment Development Department 4/14

Employment among the individual industry categories reflects changes in the Inland Empire economy during the past decade. Construction employment gains generally mirror the regional economy. In response to the high level of construction activity that occurred in the County during the period from 1984 to 1989, construction employment reached nearly three times the level recorded in 1982. From 1992 through 1995, construction employment declined in response to decreased building activity. The 2006 levels were more than double the 1993 low. However, since 2006, construction jobs are down 45.6% to 69,300 jobs in 2013. There was a 10,200 job increase during 2012 and 2013.

The number of manufacturing jobs in the Inland Empire has increased over 45% from the levels recorded in 1991. However, manufacturing jobs declined 5.5% from the 2000 high of 120,000 jobs to 113,400 jobs by 2003, then increased back to 123,400 in 2006, but declined to 85,800 in 2011. A small increase occurred in 2012 and 2013, up to 86,800 jobs. Due to the high labor and capital costs in Los Angeles and Orange Counties,

manufacturing firms have expanded or relocated some of their manufacturing operations to Riverside and San Bernardino Counties to take advantage of the labor force and lower land costs. The following table lists the largest employers in San Bernardino and Riverside Counties.

<b>Inland Empire Major Employers</b>		
<b>Name of Company</b>	<b>Local Employees</b>	<b>Type of Business or Entity</b>
County of San Bernardino	19,000	Local Government
County of Riverside	18,400	Local Government
Stater Bros. Markets	18,221	Supermarket
National Training Center	13,805	Military Training Base
Loma Linda University Adventist Health Science Center	13,000	Higher Education in Health Related Profession
U.S. Marine Corp Air	12,486	Military
United Parcel Service	8,600+	Transportation
S.B. City Unified School District	8,574	Education
March Air Reserve Base	8,525	Military Reserve Base DOD
Ontario International Airport	7,695	Aviation
University of California, Riverside	7,618	Higher Education
Loma Linda University Medical Center	6,147	Medical /Health Care
Kaiser Permanente Medical Center	6,000	Health Care
Riverside Unified School District	5,500	Public Education
Corona-Norco Unified School District	5,147	Public Education
Pechanga Resort and Casino	4,800	Casino/Resort
Fontana Unified School District	4,700	Public Education
Verizon	4,519	Telecommunication
Abbott Vascular	4,500	Medical Device Manufacturer
Moreno Valley Unified School District	3,784	Public Education

Based on ranking of total local employees for businesses that qualify for Book of List Rankings  
Source: The Inland Empire Business Journal, 2014 Book of Lists

Transportation and public utilities employment tends to mirror population growth. In the Inland Empire, the finance, insurance and real estate ("FIRE") category is still a small segment of the employment picture.

A significant number of the new jobs created in the last 15 years have been created in the service sector. The service sector will continue to play a major role in employment growth during the next few years. Government employment is a major employment sector

in the Inland Empire due to the rapid growth. State and local government employment declined 3.2% from 2008 to 204,700 jobs in 2013.

The Inland Empire has finally started to show signs of improvement in employment over the last two years or so. The Inland Empire has seen larger employment growth compared to most other Metropolitan Statistical Areas in California and its unemployment rate has finally shown significant declines. The Inland Empire unemployment rate stood at 12.5% in January 2012, which is 3.1% above the current rate. However, this data should be evaluated with some caution, with concern that the decline in the unemployment rate is the result of workers giving up their search for employment after the very lengthy and deep recession. Further analysis does indicate, however, that while the labor force shows an increase of 2.5% relative to the trough, employment growth was close to 5%. The effect is that the Inland Empire's decrease in the unemployment rate is caused primarily by growth in employment. The general thinking is that the worst is finally behind us and the Inland Empire and California should continue with positive numbers.

### **Income**

The average household income in Riverside County is estimated to be \$69,898. The median household income stands at \$52,514. These figures are moderately below the Southern California region average. The lower income level is due to the lower wages in agriculture, manufacturing, service and government employment. The household income distribution for Riverside County is illustrated in the following table.

**County of Riverside  
Household Income Distribution  
2015**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	83,088	11.56%
\$15,000 - \$24,999	82,337	11.46%
\$25,000 - \$34,999	75,747	10.54%
\$35,000 - \$49,999	102,523	14.27%
\$50,000 - \$74,999	129,376	18.00%
\$75,000 - \$99,999	92,288	12.84%
\$100,000 - \$149,999	92,345	12.85%
\$150,000 - \$199,999	36,266	5.05%
\$200,000 or more	<u>24,602</u>	<u>3.42%</u>
Total	718,576	100.00%
Median Household Income		\$53,013
Average Household Income		\$69,898

1/ Percent of total distribution  
Source: Claritas 1/15

### **Retail Sales**

Retail demand continues to be fueled by the growth in population as outlined previously. For Riverside County, taxable retail sales have increased from \$3.9 billion in 1985 to over \$7.4 billion by 1995 and to over \$21.8 billion by 2006. However, in 2007, 2008, and 2009 retail sales declined. The 2010 total of \$16,919,500,000 was back to the 2003/2004 retail sales level. In 2011, the retail sales were \$18,576,284,000, which was at the 2004 level. In 2012, the retail sales were \$20,016,668,000 which is about the 2005 level. During the past five years, retail sales growth has ranged from a low of a negative \$2.631 billion in 2009 to a positive \$1.656 billion in 2011.

The increases in retail sales are due to the exceptionally high County population growth rates experienced during the period from 1983 through 1990. During the period from 1991 through 1993, retail sales were stagnant due to the economic recession. From 1994, and continuing through 2006, there was a significant rebound in retail sales. Due to the prior recession, sales declined in 2007, 2008, and 2009 and were cumulatively 28.8% below the 2006 sales levels. However, during 2010, retail sales increased 5.4% over the 2009 retail sales and 2011 sales increased 9.8% over the 2010 retail sales. In 2012, retail sales were 7.8% above the 2011 level. During the first three quarters of 2013. Retail sales totaled \$15.541 billion, 6.6% greater than the first three quarters of 2012. In the future, retail sales growth should reflect the population growth in the County.

**Riverside County  
Retail Sales Trends 1/  
1985-2012**

<u>Year</u>	Taxable	Average Annual Change	
	Retail Sales (000's)	Number (000's)	Percent
1985	\$3,974,400	\$319,632	8.7%
1990	\$6,596,974	\$524,515	13.2%
2000	\$12,190,474	\$559,350	8.5%
2001	\$13,173,281	\$982,807	8.1%
2002	\$14,250,753	\$1,077,472	8.2%
2003	\$16,030,952	\$1,780,199	12.5%
2004	\$18,715,949	\$2,684,997	16.7%
2005	\$20,839,212	\$2,123,263	11.3%
2006	\$21,842,345	\$1,003,133	4.8%
2007	\$21,242,516	(\$599,829)	(2.7%)
2008	\$18,689,249	(\$2,553,267)	(12.0%)
2009	\$16,057,488	(\$2,631,761)	(14.1%)
2010	\$16,919,500	\$862,012	5.4%
2011	\$18,576,284	\$1,656,784	9.8%
2012	\$20,016,668	\$1,440,384	7.8%

1/ Taxable Retail Sales Total (not adjusted for inflation)  
Source: State Board of Equalization 4/14

**Transportation**

Riverside County is served by a major airport, Ontario International, located in adjoining San Bernardino County. Several major airlines have flights into Ontario, while international flights can be booked out of Los Angeles International Airport.

A network of freeways links most urbanized areas of the County. The major north-south arterials are the Corona (I-15) and Escondido (I-215) Freeways. The Pomona Freeway (SH-60) provides east-west access to Los Angeles and the desert areas of Riverside County. The Riverside Freeway (SH-91) provides access to Orange and Los Angeles Counties.

**Real Estate**

The following table shows Riverside County in relation to the remaining Southern California counties for median price and number of dwellings sold.

### Southern California Home Sales

County	No. Sold – All Homes			Median Price – All Homes		
	Dec 2013	Dec 2014	Pct. Chg.	Dec 2013	Dec 2014	Pct. Chg.
Los Angeles	6,240	6,456	3.5%	\$430,500	\$460,000	7.0%
Orange County	3,089	2,880	-6.8%	\$570,000	\$591,000	3.7%
<b>Riverside</b>	<b>3,068</b>	<b>3,466</b>	<b>13.0%</b>	<b>\$280,000</b>	<b>\$300,000</b>	<b>7.1%</b>
San Bernardino	2,154	2,333	8.3%	\$232,000	\$255,000	9.9%
San Diego	3,099	3,290	6.2%	\$420,000	\$440,000	4.8%
Ventura	765	777	1.6%	\$449,500	\$477,250	6.2%
Southern California	18,415	19,205	4.3%	\$395,000	\$415,000	5.1%

Source: DQNews.com 1/15

During the period from 1988 through 1989, housing values appreciated at rates approaching an average of 15% per annum throughout much of Riverside County and Southern California. In Southern California, during the period from 1990 through 1993 as the economic recession influenced all segments of potential homebuyers, the rate of home price appreciation fell dramatically with declines of approximately 4% to 6% per annum. During 1996 home prices stabilized, and most new subdivisions experienced significant price increases from 1997 to mid-2005, with annual double digit appreciation. Over the subsequent 6± years, sales, prices significantly decreased. However, over the last 33 months, sales prices have increased on a year-over-year basis. The December 2014 sales were 20.2% lower than the average sales rate for December over the last 27 years. The region's December home sales represented the lowest gain since the recent price increases began in spring 2012. The increase in sales was up 22.8% from November 2014 and up 4.3% since December 2013. Sales have not been above the average for any particular month in over seven years. There were also more signs of home prices flattening out. The region's median sale price has changed little over the last four months and December marked the seventh consecutive month in which the median price had a single-digit year-over-year gain, following 22 months of double-digit increases. The region's median sale price has increased on a year-over-year basis for the past 34 consecutive months, but the 5.1% annual gain in December 2014 was the smallest since April 2012, when the \$290,000 median rose 3.6% from a year earlier. Southern California's December median sale price was 17.8% below the peak median price of \$505,000 reached in March through July 2007.

In Riverside County, 3,068 homes were reported to trade hands in December 2014, which is an increase of 13.0% from December 2013. This is primarily due to an increase in first time home buyers. The high level of investor demand over the past several years appears to have significantly reduced the excess inventory of existing homes. Prices are reportedly back to their 2004-2005 level. At this time, builders appear to be testing the market again with increases in sales and pricing. Over the past 12 months, the median sales price has increased 7.1% to \$300,000, according to CoreLogic/DataQuick. This is a vast improvement from the 20% to 25% annual declines on a monthly basis in 2007 and 2008.

### **Conclusion**

In summary, the region exhibited very strong population and employment growth during the 1980 to 1989 period. The recession of the early 1990s significantly slowed population growth and resulted in overall job losses from 1990 to 1995. During the following decade, as the economy recovered, population and employment growth were stronger than during the prior growth years of the 1980s. As the past recession took hold in 2008, Riverside County was impacted particularly hard, with plummeting home prices and related job losses. However, during 2012/2013 the recent double digit year-over-year price increases indicated that the market was in a rebounding phase of the cycle. The more recent price gains of 7% to 10% are considered a return to a more normal and stable market which should be sustainable over the next several years, assuming the economy continues to be strong and the labor force continues to grow.

The long-term outlook for the region remains positive as the elements of abundant affordable land and labor still exist. Future growth will continue to be affected by the trends in the overall economy. Riverside County's economic environment should follow a path similar to that of the other Southern California counties.

### **City of Perris**

The City of Perris is located in the southwestern portion of Riverside County. The City is located between San Jacinto and the Santa Ana Mountains and encompasses approximately forty square miles. The City is bordered on the north by the March Air



Reserve Base/March Globalport and by the City of Moreno Valley. To the south are unincorporated communities of Quail Valley and Sun City and to the southwest is the City of Canyon Lake. To the east are also areas of unincorporated Riverside County and on the west is the unincorporated community of Mead Valley. The City of Perris and the surrounding area to the southeast, most notably Murrieta and Temecula, experienced rapid development beginning in the early 2000's to late 2000's and was one of the fastest growing areas in Southern California. It has become a suburban bedroom community for Orange, San Diego and Los Angeles counties. The area has attempted to retain the semi-rural atmosphere of the early residents. Please refer to the next page for a neighborhood map.

Community-serving commercial centers were developed at major street intersections and typically contain a mix of retail and convenience goods and services with a major anchor tenant, typically a grocery store. A broad corridor of industrial uses extends across the north portion of the City. The large parcels contain a diversity of industrial uses.

During the past five to 15 years, the City of Perris has added new residential, industrial, and retail developments. Most of the newer residential development has occurred south of the Ramona Expressway. Most of the newer retail commercial development has occurred adjacent to the Escondido Freeway (I-215), which bisects the western section of the City of Perris. The major community commercial retail development is concentrated near the intersection of the Escondido Freeway (I-215) and Nuevo Road, primarily along Perris Boulevard. There is older commercial development located along Highway 74 near Perris Boulevard.

The newest large scale residential developments are located in the northeastern area of the City, in the vicinity of May Farms and the Village of Avalon. The area near the subject property, along Ethanac Road, has also had significant new development. Most of the new home construction is single-family detached product in master planned communities. The homes offered range from entry-level homes in moderate price ranges to larger move-up homes. As the market changed during the 2000's recession, the residential sector moved to the smaller homes with affordable prices.



Draft

## **Population**

Although the City of Perris, incorporated in 1911, is old by Southern California standards, it was not until the 1990's that the City experienced significant population growth. The City of Perris has experienced moderate population increases during recent years as illustrated on the following exhibit. Since 2000, annual population gains of 600 persons to a peak of 4,600 persons have been recorded. Over the last five years, population increases have ranged from 600 to 3,000 or 0.9% to 4.6%. The current population of the City of Perris, as of January 2014, is estimated to be 72,100 persons. This is a 100%± increase over the population recorded in 2000, but a 5.4% increase from 2010.

**City of Perris  
1990-2014 Population Trends**

<u>Year</u>	<u>Population</u>	<u>Annual Change</u>	
		<u>Number</u>	<u>Percent</u>
1990	21,460	--	--
2000	36,189	1,289	3.7%
2001	37,800	1,611	4.5%
2002	39,800	2,000	5.3%
2003	42,000	2,200	5.5%
2004	46,600	4,600	11.0%
2005	50,600	4,000	8.6%
2006	54,400	3,800	7.5%
2007	59,000	4,600	8.5%
2008	63,000	4,000	6.8%
2009	65,400	2,400	3.8%
2010	68,386	2,986	4.6%
2011	69,500	1,114	1.6%
2012	70,400	900	1.3%
2013	71,000	600	0.9%
2014	72,100	1,100	1.5%

Source: California Department of Finance, U.S. Census, 1/15

## **Income Levels**

The City of Perris has an income distribution lower than the countywide distribution. The median household income for Perris is \$43,671 which is lower than the countywide figure. The average household income in Perris is \$51,855, which is lower than the countywide figure.

**City of Perris  
Household Income Distribution  
2015**

<u>Income Range</u>	<u>Households</u>	<u>Percent 1/</u>
Less than \$15,000	2,522	14.58%
\$15,000 - \$24,999	2,171	12.55%
\$25,000 - \$34,999	2,235	12.93%
\$35,000 - \$49,999	2,972	17.19%
\$50,000 - \$74,999	3,698	21.39%
\$75,000 - \$99,999	2,029	11.73%
\$100,000 - \$149,999	1,203	6.96%
\$150,000 - \$199,999	382	2.21%
\$200,000 – or more	<u>80</u>	<u>0.46%</u>
Total		100.00%
Median Household Income		\$43,671
Average Household Income		\$51,855

Source: Claritas

1/15

Employment in the immediate Perris area is limited. According to the City, there are approximately 800 businesses in Perris employing almost 18,000 people. Please refer to the table below for the top 10 employers in the City of Perris. Most of the residents in Perris work in areas outside of Perris. Many residents drive considerable distances to work in San Bernardino, San Diego and Orange counties.

**City of Perris  
Principal Employers**

<u>Employer</u>	<u>Employees</u>
Ross Stores Inc.	1,400
Starcrest	1,000
Lowe's HIW Inc.	900
Perris Union High School District	786
Hanes	650
Perris Elementary School District	602
Eastern Municipal Water District	580
Whirlpool	300
Wal-Mart	250
Coreslab Structures	200

The housing market in Perris is typically single-family residences. New homes range from entry-level homes of 1,500± square feet on 4,000 square foot lots up to larger

move-up homes on 7,200 square foot lots. The majority of the homes range in size from 1,600 to 3,100 square feet and are located in subdivision tracts or master planned communities on typical lot sizes of 5,000 to 6,000 square feet.

Based on the past and expected future economic and population growth of the southwest Riverside County area, the Perris area is considered to have average future growth potential.

### **Immediate Neighborhood**

The subject property is located in the southern portion of the City of Perris. The subject project is at the northwest corner of Ethanac Road and Goetz Road about 3 miles west of the Escondido Freeway (I-215).

This area is near the southern edge of existing residential development. The site is in a mixed use area of Perris that is in transition to mostly residential development. Much of the surrounding land is vacant. This site is bounded to the north by vacant land and the San Jacinto River, to the east by Goetz Road and vacant land with scattered single family detached residences, to the west by vacant land and to the south by a recently completed residential development. All of the production homes were reported as sold as of the date of value. A large overhead power transmission line is present to the south of the Ethanac Road. Seven miles north of the subject property is the Lake Perris Recreational area. Approximately 8 miles northwest of the subject is the March Air Reserve Base.

Most of the commercial areas of Perris are northeast of the subject. West of Medical Center Drive is the Valley Plaza Doctors Hospital, assorted medical related uses, and strip retail. At the northeast corner of Orange Avenue and Perris Boulevard is the Perris Valley Spectrum, an older neighborhood shopping center anchored by Wal-Mart. Wal-Mart will be moving to the new Perris Marketplace. The major retail area is at the I-215 Freeway and Nuevo Road, about 4 miles north of the subject. This includes the Perris Town Center, Perris Plaza and the under construction Perris Marketplace. The closest retail center to the subject is Perris Crossing at Ethanac and the I-215 Freeway. Major tenants include Winco, Fantastic Sams, Carls Jr. Home Depot, Subway and Del Taco.

## **Conclusion**

The local economy previously experienced economic decline from 2008 into 2012, due largely to the national and state recessions. However, beginning in mid-2012 the markets have stabilized and home price increases have returned. Inflation is reported to remain low, which should keep mortgage rates from rising too steeply while the economy gains strength.

Nationally, the economy has rebounded from the recent recession lows. As of January 2, 2015, the Dow Jones Industrial Average (DJIA) and S&P 500 are near historical highs of over 17,800 and 2,050 respectively. Home buyer demand in Riverside County and all of Southern California currently meets the supply of homes on the market.

Riverside County experienced an increase of 10% in the median home price from a year ago. The median home price in Riverside County was \$300,000 in December 2014. San Bernardino's median home price was \$255,000. Home prices continue to increase, and the percentage change is increasing on a monthly basis. The subject's market area has experienced improving demand for detached single family homes. As long as the economy continues to grow, employment opportunities improve closer to the subject area, and the cities close to the more urbanized areas become even more expensive areas in which to live and operate a business. The City of Perris is anticipated to continue to experience moderate growth.

## **SITE ANALYSIS**

### **General**

The subject property of this appraisal is identified as CFD No. 2006-2, Monument Park Estates. The subject property was purchased by the current merchant builder in June 2010, at which time the land was proposed for 337 dwelling units. A portion of the property was remapped subsequent to the purchase for an additional 49 lots. As of the date of value, the District is proposed for 386 dwelling units. All of the lots are improved to at least physically finished lot condition, with 319 dwellings built, 8 dwellings under construction and 59 physically finished lots. Of the 319 built dwelling units, 285 have closed escrow to individual homeowners as of January 15, 2015.

### **Location**

The subject property is located in the City of Perris in the central area of West Riverside County. The subject is bounded by the San Jacinto Flood Control Channel to the north and northwest, Ethanac Road to the south and Goetz Road to the east. According to the CFD report prepared by Koppel & Gruber Public Finance, the District consists of 133.16 gross acres. Please refer to page 5 for a map of the CFD.

### **Current Site Condition**

As of the date of value of this appraisal, the subject is in a physically finished to finished lot condition with 285 sold dwellings, three model homes, 31 near complete dwellings (22 in escrow), 8 dwellings under construction and 59 physically finished lots.

There is off-site construction required that include improvements to a park and traffic signal. The proposed park is a triangular shaped parcel consisting of 6.71 gross acres located northeast of the District. The required improvements include grading, installation of storm drain systems, parking lot and Phase 1 amenities which include shade structures, landscape areas, play equipment, restrooms and mechanical rooms. The traffic signal is located at Goetz and Fieldstone, on the east side of Tract 36343 and is reported to be 85% complete. The reported costs for the completion of the off-site construction is \$1,760,000±. The additional costs to the District are for the 59 physically finished lots,

which include development fees per lot of approximately \$35,550 and approximately \$12,700 per lot for final lot improvements.

**Size and Shape**

The overall shape of CFD No. 2006-2 is generally triangular and contains 133± gross acres, according to the District’s CFD Report. CFD No. 2006-2 has been subdivided into three recorded Tract Maps. Please refer to the following table which summarizes the three tracts.

**CFD 2006-2  
Monument Park Estates**

<u>Tract No.</u>	<u>Size Acres</u>	<u>Number of Lots</u>
31926	24.49	83
31926-2	30.09	119
36343	<u>42.61</u>	<u>184</u>
	97.19	386

Final Tract Map No. 31926, which was the first tract to be developed, has an average lot size of 9,394 square feet and a minimum lot size of 6,970 square feet. This tract has been developed with the Villages at Monument Park product and includes 83 lots. Final Tract Map No. 31926-2 was the next tract to be developed and has an average size lot of 8,382 square feet and minimum lot size of 6,970 square feet. This tract was developed with the Villages at Monument Park product and the Sequoia product and includes 119 lots. Final Tract Map No. 36343, which replaced the previous Final Tract Maps Nos. 31926-1 and 31925 (together included 135 developable lots) is being developed with the Cabrillo product. Of the 92 dwellings that have closed escrow, the average lot size is 6,586 square feet and a minimum lot size of 4,792 square feet. The appraiser's have not been provided with detailed lot sizes for the unsold lots. In total, Tract 36343 includes 184 lots.

**Soils and Geology**

A soils report was not provided for the District. However, the appraisers assume that the soil conditions allow all of the existing and proposed development as discussed in

the Highest and Best Use section of this report and as proposed by the developer. All 386 lots have been graded, 316 production dwellings and 3 model homes are built, 8 dwellings are under construction and 59 lots are in a physically finished lot condition.

### **Topography and Drainage**

The District is level at street grade. Drainage is via natural sheet flow and percolation. All storm drains serving the subject property are completed. Storm drain capacity for the subject was constructed during the development process. During our inspection of the site, we did not observe any drainage problems.

### **Zoning**

Final Tract Map Nos. 31926 and 31926-2 are zoned R-6,000 - Residential, City of Perris. The R-6,000 Zone is to provide for the development of attached and detached, medium density residential development, including duplexes, condominiums, and townhouses, at a density of 4 to 7 dwellings per acre. This Zone shall be applicable to and correlate with the General Plan Land Use designation of R-6,000 Single Family Residential. The minimum lot size is 6,000 square feet. Final Tract Map No. 36343 is zoned MFR-14 - Multifamily Residential 14, City of Perris. The MFR-14 Zone is to provide for medium density attached and detached single-family and multiple-family residential development, including zero-lot line development at a density of 7 to 14 dwellings per acre. This Zone shall be applicable to and correlate with the General Plan Land Use designation of MFR-14. The minimum lot size is 3,000 square feet.

Final Tract Map No. 31926 recorded on April 26, 2007 Document No. 2007-0280323. This map allows for development of 83 single family detached homes. All dwelling units have closed escrow to individual homeowners as of the date of value. Final Tract Map No. 31926-2 recorded on April 26, 2007 Document No. 2007-0280322. This map allows for development 119 single family detached homes. All but six dwelling units have closed escrow to individual homeowners as of the date of value. Final Tract Map No. 36343 recorded on May 2, 2013 Document No. 0209294. This map allows for development of 184 single family detached homes. As of the date of value, 117 dwelling



were built, of which 3 are used as model homes and 92 have closed escrow to individual homeowners. In addition, 8 dwellings are under construction.

As existing and as proposed, the subject project appears to be a legally conforming use. The subject property is in conformance with all zoning requirements, and is assumed to be in conformance with all governmental regulations.

### **Access and Circulation**

The City of Perris is directly accessible via the I-215 (Escondido Expressway). There is a full freeway interchange at Ethanac Road and I-215 approximately 3 miles east of the subject. This transportation corridor connects the City to western and southern Riverside County as well as to the abutting counties of Orange, Los Angeles, San Diego and San Bernardino. The subject area is primarily accessed by Goetz Road and Ethanac Road. Ethanac Road is fully improved fronting the subject project. Goetz Road is fully improved fronting the subject project. The intersection of Goetz and Ethanac Roads is fully signalized.

### **Easements**

The appraisers have been provided with three preliminary title reports for CFD No. 2006-2. These reports were prepared by First American Title Company and dated December 29, 2014. A separate report was prepared for each Final Tract Map. The preliminary title report for Tract 31926-2 appeared to not include one lot that has not transferred title, according to our search.

There did not appear to be any easements, restrictions or conditions that would adversely impact the value of the subject property. It is a specific assumption of this appraisal that all easements and encumbrances affecting the property are not detrimental to value. A Notice of Special Tax Lien was recorded and the property is subject to the special taxes for CFD 2006-2.

## **Utilities**

The subject property is served by the following companies/agencies:

Electricity	Southern California Edison
Water	Eastern Municipal Water District
Gas	Southern California Gas Company
Sewer	Eastern Municipal Water District
Telephone	Verizon
Police	County of Riverside
Fire	County of Riverside

## **Earthquake, Flood Hazards, and Nuisances**

The subject property, as of the date of valuation, was not located in a designated Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. The subject property is located in a Zone "X" flood designated area according to Federal Emergency Management Agency Community Panel No. 06065C-2055H, effective date August 18, 2014. This designation references an area that is outside the 500-year flood plain. Flood insurance is not required. No other nuisances or hazards were observed on physical inspection of the subject property as of the date of value.

## **Environmental Issues**

The property is reportedly not impacted by any negative environmental issues.

## **Taxes and Special Assessments**

CFD No. 2006-2 is divided into 386 taxable assessor parcels. Pursuant to Proposition 13, passed in California in 1978, current Assessed Values may or may not have any direct relationship to current Market Value. Real estate tax increases are limited according to Proposition 13 to a maximum of 2% per year plus bonds, if any. If the property is sold, real estate taxes are normally subject to modification to the then current Market Value.

In addition, there are special taxes for Perris Maintenance District 84-1 and CFD 1-55 Public Safety Perris. The subject property is within Tax Rate Areas 008-178, 008-209 and 008-210 with a base tax rate of 1.06653%. **The total tax rate is estimated not to**

exceed 2.0%. CFD No. 2006-2 will have Special Taxes which will range from \$????± to \$????± per dwelling.

This tax burden is common for southwest Riverside County where tax rates in new home communities typically range from 1.50% to 2.00%. A survey of the subject's market area revealed that special Assessment Districts or CFDs encumber most of the competing residential subdivisions. There does not appear to be a great deal of resistance to the special assessments that do not increase the overall tax rate significantly above 2.0% of value.

According to the public records, the total Assessed Value for the 386 parcels for 2014-2015 is \$51,994,374. The total property tax is \$966,885.28.

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## IMPROVEMENT DESCRIPTION

### General

The subject property, CFD No. 2006-2, is the development of the master planned community of Monument Park Estates located in southern portion of the City of Perris. The community of Monument Park Estates, in its entirety, includes approximately 133± gross acres proposed for an ultimate build out of 386 single family detached homes on lots ranging from 4,792 square feet to 18,000± square feet, although the majority of development is on lots between 5,000 square feet and 8,000 square feet. The residential development is planned for an overall density of 4± units per developable acre.

The subject property was purchased by the current merchant builder, KB Home Coastal Inc. in June 2010. On November 17, 2010 the first development opened for sales known as Villages at Monument Park offering floor plans ranging from 1,234 square feet to 2,530 square feet. The next product offered for sale was known as Villages at Monument Park II and offered larger floor plans ranging from 2,390 square feet to 3,085 square feet. On May 13, 2013 the product known as Sequoia opened for sale with the same floor plans as Villages at Monument Park II. On September 28, 2013 the currently selling product, Cabrillo, opened for sales offering floor plans from 1,848 square feet to 2,937 square feet.

As of the date of value, January 15, 2015, the District included 319 built dwelling units, of which 3 were model homes and 285 had closed escrow to individual homeowners. In addition 8 dwelling units were under construction. Five of those were improved to color coat with roofs under construction and 3 dwelling units were in the framing stage. The balance of the District, 59 lots, was in physically finished lot condition.

All of the dwelling units have been built or are proposed to be built, by KB Home Coastal Inc. The following table summarizes the base floor plan sizes. The currently selling products of Sequoia and Cabrillo also include the current base selling prices. The sold out

developments of Villages at Monument Park I and II reflect the last base sales prices for each floor plan.

<u>Product</u>	<u>Average Lot Size</u>	<u>Unit Size</u>	<u>Br/Bath</u>	<u>Base S/P</u>	<u>\$/SF</u>
Villages at Monument Park I (sold out)	9,000 SF	1,234	3/2	\$224,990	\$182.33
		1,551	4/2	\$237,990	\$153.44
		1,779	4/2	\$249,990	\$140.52
		1,883	4/2.5	\$247,990	\$131.70
		2,222	4/2.5	\$265,990	\$119.71
		2,530	4/2.5	\$271,990	\$107.51
Villages at Monument Park II (sold out)	8,000 SF	2,390	4/2	\$282,990	\$118.41
		2,604	3/2.5	\$294,990	\$113.28
		2,783	3/2.5	\$299,990	\$107.79
		3,085	4/2.5	\$310,990	\$100.81
Sequoia at Monument Park (nearly sold out)	8,000 SF	2,390	4/2	\$290,000	\$121.34
		2,604	3/2.5	\$291,990	\$112.13
		2,783	3/2.5	\$300,900	\$108.12
		3,085	5/3	\$308,990	\$100.16
Cabrillo at Monument Park	6,500 SF	1,848	4/2	\$259,990	\$140.69
		2,134	4/2	\$272,990	\$127.92
		2,376	5/3	\$280,990	\$118.26
		2,639	4/2.5	\$288,990	\$109.51
		2,937	5/3	\$308,990	\$105.21

It is a specific assumption of this appraisal that the proposed units will be built according to the City's specifications and that they meet the market demand for the subject's market area.

The following is a list of some of the anticipated general construction specifications for the detached single-family homes for the products within the District.

**Construction**

Units are of Class "D" construction; wood frame and stucco siding with several elevation choices.

**Foundations**

Foundations are poured concrete. Particle board over wood floor joists for the second floor.

**Structural Frame**

Consists of 2" x 4" and 2" x 6" wood framing.

**Roofs**

Roofs are of concrete tile.

**Windows**

Vinyl dual glazed windows.

**Floor Covering**

Floor coverings are wall-to-wall carpet in all living areas. Entry, kitchen, bathrooms and laundry room are of vinyl.

**Interior Finish**

Custom toweled ceiling and painted drywall.

**Heating/HVAC**

Energy efficient central air conditioning and gas forced air heating.

**Kitchens**

Kitchens will be equipped with wood cabinets and laminate counter tops. Each kitchen will include a drop in oven/cook-top, microwave, and dishwasher.

**Bathrooms**

Master bathrooms will have double sinks with e-stone countertops and thermofoil cabinets, fiberglass shower/tub.

**Garage**

Sectional roll-up garage doors with concrete driveways.

**Laundry Facilities**

Interior laundry rooms for all plans.

**Landscape**

Front yard landscape and irrigation system. Rear and side yard fencing.

**Options**

Numerous options and upgrades will be available including flooring, cabinet, and countertop upgrades. Most options and upgrades provided at competing, similar quality developments will be offered.

**Conclusion of the Improvements**

Based on the review of the product information and physical inspection of models of similar products, we are of the opinion that the quality of the products are average and generally meet buyer expectations for the subject's marketplace.

### **Functional Utility**

It is an assumption of this appraisal that all of the floor plans are functional, and competitive with current design standards.

### **Remaining Economic Life**

The total/remaining economic life, according to the Marshall Valuation Service, is considered to be 50 years from date of completion.

### **Homeowners Association Dues**

The subject tracts are not within homeowner's association

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## **HIGHEST AND BEST USE**

The term *highest and best use* is an appraisal concept that has been defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.<sup>4</sup>

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."<sup>5</sup> The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

### **Legally Permissible Use**

The legal factors affecting the site and its potential uses are often the most restrictive. These would typically be government regulations such as zoning and building codes.

CFD No. 2006-2 is located in the City of Perris. The subject is zoned for residential development, R-6,000 and MFR-14. The zone designations allow for single-family residential use with a minimum 6,000 square foot lot size for Tracts 31926 and 31926-2 and 3,000 minimum square foot lot size for Tract 36343. However, the smallest lot size is 4,792 square feet in Tract 36343. CFD No. 2006-2 has lots that range from 6,970 to over

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<sup>4</sup> *The Dictionary of Real Estate Appraisal*, 4th Edition, Pub. by the Appraisal Institute, Chicago, IL., P. 135.

<sup>5</sup> *The Appraisal of Real Estate*, 10<sup>th</sup> Edition, Pub. By the Appraisal Institute, Chicago, IL., P. 280.



18,000 square feet within Tracts 31926 and 31926-2 and from 4,792 to over 12,000 square feet within Tract 36343. The entire District consists of three recorded final tract maps proposed for development of 386 lots. As of the date of value, 319 lots have been developed with single family detached dwellings, 8 lots have dwellings under construction and 59 lots are in a physically finished lot condition proposed for the build-out of the Cabrillo product. The existing and proposed uses are considered a legal and conforming use.

### **Physically Possible Use**

The subject property is generally triangular in shape. CFD No. 2006-2 contains approximately 133± gross acres and 97± net acres. The site has flat topography, which has been improved to at least a physically finished lot condition, with 319 complete or nearly complete dwellings at this time. The subject development of Monument Park Estates is the natural extension of the previously built development of Monument Ranch, situated south of Ethanac Road, in an otherwise area of vacant land currently in transition to residential developments.

We were not provided with a geotechnical feasibility study for the subject property. However, the subject is graded with 59 physically finished lots, eight dwellings under construction and improved with 319 built dwelling units. It is an assumption of this report that the soils are adequate to support the concluded highest and best use.

All normal utilities are available to serve the subject site. Site utilities are installed and operational, as of the date of value. The property is generally bounded by undeveloped land. Access is considered to be adequate via Ethanac and Goetz Roads and the Escondido Freeway (I-215).

### **Financial Feasibility and Market Conditions**

The financial feasibility of the development of the subject property is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation section of this report, which gives support to the financial feasibility of CFD No. 2006-2.

## **General Market Conditions – Riverside County**

The attractiveness of residential development anywhere in Riverside County is evidenced by market activity which has taken place over the last 15± years. Beginning in 1996/1997 and continuing through 2005, significant price increases occurred and incentives and concessions disappeared. The general consensus was that demand for residential land exceeded supply over the 10± year period. Both land sales and home sales showed annual double-digit appreciation from 1996/1997 through 2006. The past recession had a significant negative impact on the residential market.

The current condition of the housing market is that there has been a significant increase in demand over the past 24± months, which has positively impacted price. The decline in sales and prices between the end of 2005 through 2011 has ended. As reported by DataQuick, there was stabilization in the median Riverside County home price between February 2011 and February 2012, with a decline of only 1%. However, the following 12 month period to February 2013 shows the median price increased over 18%. The current median price of \$300,000 is reportedly 7.1% higher than the December 2013 price. Over the past 12 months sales increased by 13.0%, from 3,068 sales in December 2013 to 3,466 sales in December 2014. However, it appears that the upward pressure on price due to demand outpacing supply could be over.

Prior to the most recent recession, the general economy experienced economic growth beginning in the 3<sup>rd</sup> quarter of 2003, due largely to increased consumer and business spending. The general economy continued to remain strong through 2006, but began weakening in 2007. Over the following six years the general economy was negatively impacted by the recent recession. Inflation continues to remain low, which has kept mortgage rates from rising too steeply over the past several years. However, the Inland Empire's long running housing boom came to a halt in 2007. Prior to the recession, builders in Riverside County increased demand for new housing permits and pulled 34,226 residential permits during 2004 and 34,134 residential permits in 2005. However, demand declined to 25,211 permits in 2006 and 12,453 permits in 2007. The number of permits continued to decline to 5,919 in 2008 and to 4,190 permits in 2009, to 4,557 permits in 2010, to the low in 2011 at 3,751 permits, to 4,258 permits in 2012

and to 5,707 permits in 2013. Demand and sales started to decline the end of 2005 and continued through 2012. According to DataQuick, new home sales were reported to be 28,732 in 2005, 28,232 in 2006, 13,693 in 2007, 7,425 in 2008, 5,094 in 2009, 4,350 in 2010, 3,168 in 2011, 3,652 in 2012, and 4,116 in 2013. This protracted reduced demand has resulted in significant decreasing in new home prices, a significant reduction in the number of new home sales and an increase in the number of loan defaults and foreclosures.

The current projection for the housing market is that we are seeing a return to a more balanced and normal market. The past 6± years of low sales volume and declining prices, between 2007 and 2012, appear to have stabilized, causing property values to increase in most areas. Inland Empire homes are more affordable than on the coast. The Inland Empire is expected to continue to draw homebuyers from Orange, Los Angeles and San Diego counties where home prices are significantly higher, especially as those three markets improve.

According to CoreLogic/DataQuick, Riverside County's December 2014 existing home sales increased 13.0% compared to December 2013. This increase followed a 10% annual decline in sales in November 2014. The low inventory of homes on the market has continued to impact home prices. Riverside County's median home price in December 2014 rose 7.1% to \$300,000 from December 2013, however, the median price was down \$5,000 from November 2014. Both short sales and foreclosures are at their lowest levels in over six years. Most economists are forecasting that sales rates and sales prices will continue to stabilize or improve moderately during 2015.

According to Metrostudy, the median price of a new single family home in Riverside County increased 11.8% between Q4 2012 and Q4 2013. The Q3 2014 median price of a new detached home in Riverside County is reported to be \$363,600. This is 5.1% greater than Q3 2013 median prices. This price is still 21%± lower than the County record high median price of \$462,656 in March 2007. It is about 28% higher than the low median price of \$284,491 reached in September 2009.

The rate of new home sales in Riverside County declined 29.7% between Q3 2013 and Q3 2014 to 736 sales, according to Metrostudy. This was the third quarter of declining year-over-year sales following seven quarters of increasing sales since the fourth quarter of 2009. Those were the only quarters of increasing sales since the second quarter of 2005. However, the annual sales for 2013 were 25.7% greater than for 2012. 3,973 detached dwellings sold in 2013. The general thinking was that this long term slowdown in sales was due to lack of demand, largely caused by fear of further price declines or lack of financing. The current general opinion is that sales prices, particularly for new homes, have reached a more affordable level that is supported by economic growth. As financing becomes more readily available, demand and sales activity is expected to continue, although at a much lower level than what was experienced before the downturn in the market. This could take an additional 3 to 6 months.

Inventory of available homes in the Riverside County marketplace increased dramatically in 2006 and 2007 and home prices began to decline. The rising mortgage rates, tighter loan standards and over-priced homes were considered the main reasons for the slowdown in sales and declining prices. In addition, the investor/speculator had disappeared in most markets, which also hurt demand. Between 2006 and 2008, sales activity continued to slow, causing inventories of unsold homes to rise. Builders slowed down the pace of construction, and the number of homes built, and unsold inventory started to decline in Riverside County between 2008 and 2014. We are of the opinion that the housing market will continue improving in Riverside County in 2015, similar to many other markets.

Builders within Riverside County sold 3,973 new single-family detached homes and 143 attached homes during 2013. This was up 25.7% for detached homes and 10.9% for attached homes compared to 2012. Builders within Riverside County sold 2,575 new single-family detached homes and 142 condominiums during 2011. That equates to a 54.3% increase between 2011 and 2013

Third quarter 2014 new home sales represent a decrease of 29.7% for new detached product over Q3 2013. Most of the detached homes sold in Riverside County during Q3 2014 are priced over \$300,000, and comprise 78%± of the total sales. Sales of homes priced between \$300,000 and \$399,999 have the most activity, comprising 44.3%± of the detached market. The number of active detached projects in Riverside County was up 30 projects from Q3 2013.

According to Metrostudy, there are 2,182 detached dwellings under construction in Riverside County as of Q3 2014. In addition, there are a reported 14,465 lots that are improved to finished lot condition in Riverside County. At the end of Q3 2013 there were 1,840 dwellings under construction and 14,212 lots were in at least a finished lot condition. According to Metrostudy, there are 6.6 months of inventory for units under construction as of the third quarter 2014. Total inventory, which includes units under construction, units built but not occupied and model homes; indicates 11.2 months of absorption. The current total inventory absorption of 11.2 months is up from the reported 9.2 months one year ago.

According to an interest rate survey published weekly in the Los Angeles Times, the typical 30-year, fixed rate conforming loan is between 3.75% and 4.00% as of the date of this report. Mortgage rates have been in the 3.75% and 4.25%± range over the past year. While a slight increase in rates may impact demand, we do not anticipate a significant drop in demand, due to the interest rate increases, as long as rates remain near or below the 8.00% level. The current level of interest rates, along with record low sales prices over the past 4 to 5 years, should help to increase sales activity, for qualified buyers.

### **Riverside – Central Submarket**

CFD No. 2006-2, is situated in the Central submarket region which includes the cities and communities of Perris, Good Hope, Hemet, Homeland, Juniper Flats, La Sierra, Mead Valley, Menifee, Menifee Valley, Nuevo, Quail Valley, Romoland, San Jacinto, Sun City and Winchester. The Central submarket region accounted for 156 detached sales during the third quarter of 2014, or a 21.2% market share of the

Riverside County market. This sales rate is down 17.9% from the third quarter 2013 sales rate. An indication of the stagnating market is that during third quarter 2013, the Central submarket had average sales per project of 2.5 units. However, the third quarter 2014, the average sales rate per project was 2.0 units, a 23% decline. The median average sales price in the Central submarket has increased over the past year to \$322,400, a 12.3% increase. It is a mid-affordable submarket in Riverside County with a median price per square foot of \$150.00. The price per square foot in the subject's submarket increased by 1.3%, and the average size of a detached home increased by 8.4% since the third quarter of 2013.

During the third quarter of 2014, the subject's submarket sold 5 detached homes priced under \$250,000; 43 detached homes priced between \$250,000 and \$299,999 were sold; 66 homes priced between \$300,000 and \$349,999 were sold, 33 detached homes priced between \$350,000 and \$399,999 were sold and 9 detached homes priced over \$400,000 were sold. There were no attached units sold in the subject's submarket.

Within the Central submarket there are 80 active projects, which is one less than last year at this time. The subject's market area reports 260 unsold standing (built, but unsold) inventory units and 430 unsold units under construction. This is an 11± month absorption time for the completed dwellings and units under construction. Total inventory which includes units built, under construction and model homes totals 772 units which equates to a 12.0 month supply at the current sales rate. One year ago total inventory was at 659 units, and the absorption time based on last year's sales rate was 11.9 months. While total inventory increased 17.2%, absorption time remained similar.

### **Feasibility**

The financial feasibility of the development of the subject property is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation sections of this report, which give support to the financial feasibility of CFD No. 2006-2.

Most projects throughout the subject's market area and nearby markets started to plateau during the first quarter of 2006. Incentives and price reductions were apparent in most tracts in an attempt to find the "new" equilibrium in absorption and sales price, given market conditions at that time. A decline in sales activity and price occurred over the next 6± years. Over the next 24 months sales increased and builders began to increase sales prices between phase releases. However, over the last year, sales rates have generally declined and price increases have slowed. It appears that current prices have achieved an affordability level more consistent with current economic growth. Most economists are predicting a continued return to a more balanced and normal market during 2015.

Currently, the market appears to have stabilized with some modest market improvement. Please refer to the table on the following page that summarizes the actively selling projects most comparable to the subject. As indicated, demand has improved and projects similar to that of the subject are experiencing sales rates of 2.9 to 8.5 units per month. The subject's two currently selling projects are experiencing sales rates of 2.9 for the almost built-out Sequoia development and 7.1 for the actively selling Cabrillo development. The recently opened development in the City of Perris, Avelina, is experiencing an overall sales rate of 8.5 units per month.

### **Maximally Productive**

In considering what uses would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the zoning of the City of Perris are the most productive uses that will be allowed at the present time. Current zoning and approved uses indicate that other alternative uses are not feasible at this time.

Given the moderate, but improving demand for residential product in Riverside County and the subject area, it is our opinion that development as built and as proposed provides the highest land value and is, therefore, maximally productive.



**City of Perris Market Area  
Comparable Residential Project Summary  
Detached Single Family Homes  
January 15, 2015**

<u>No.</u>	<u>Project Location</u>	<u>Units</u>	<u>Average Lot Size</u>	<u>Base Price</u>	<u>Unit Size</u>	<u>Price/Sq. Ft.</u>	<u>No. Sold Start Dt.</u>	<u>Overall Mo. Abs.</u>
1	<b>Sequoia</b>	68	8,000	\$290,990	2,390	\$121.75	59	2.9
	KB Home			\$291,990	2,604	\$112.13	May-13	
	City of Perris			\$300,990	2,783	\$108.15		
	<b>Subject Property</b>			\$308,990	3,085	\$100.16		
2	<b>Cabrillo</b>	184	6,000	\$259,990	1,848	\$140.69	111	7.1
	KB Home			\$272,990	2,134	\$127.92	Sep-13	
	City of Perris			\$280,990	2,376	\$118.26		
	<b>Subject Property</b>			\$288,990	2,639	\$109.51		
				\$308,990	2,937	\$105.21		
3	<b>Avelina</b>	308	7,200	\$271,990	1,959	\$138.84	23	8.5
	Pulte Homes			\$284,990	2,392	\$119.14	Oct-14	
	City of Perris			\$296,990	2,688	\$110.49		
				\$306,990	2,810	\$109.25		
				\$329,990	3,286	\$100.42		
4	<b>Steeplechase</b>	137	8,000	\$304,990	2,320	\$131.46	42	4.9
	Richmond American Homes			\$317,990	2,827	\$112.48	May-14	
	City of Perris			\$322,990	2,491	\$129.66		
				\$337,990	3,059	\$110.49		
				\$358,990	3,464	\$103.63		
5	<b>Remington @ Audie Murphy</b>	69	7,500	\$339,990	2,351	\$144.62	1	0.4
	Woodside Homes			\$349,990	2,500	\$140.00	Nov-14	
	Menifee			\$369,990	2,963	\$124.87		
				\$379,990	3,199	\$118.78		
6	<b>Palomino @ Audie Murphy</b>	112	7,500	\$323,990	2,319	\$139.71	84	3.9
	Richmond American Homes			\$339,990	2,491	\$136.49	Apr-13	
	Menifee			\$329,990	2,827	\$116.73		
				\$342,990	3,059	\$112.12		
				\$347,990	3,122	\$111.46		
7	<b>Summerhouse</b>	254	6,000	\$276,990	1,492	\$185.65	245	5.2
	Centex Homes			\$307,990	1,911	\$161.17	Feb-11	
	Menifee			\$340,469	2,233	\$152.47		
				\$353,500	2,816	\$125.53		



## **Conclusion**

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses that will generate the greatest level of future benefits possible from the land.

After reviewing the alternatives available and considering this and other information, it is the opinion of the appraisers that the highest and best use for the subject property, as vacant and as improved, is for residential development similar to the existing subject floor plans.

### **As Vacant**

After reviewing the alternatives available, it is these appraisers' opinion that ultimate development of single-family detached for-sale products, similar to the existing products, is considered the highest and best use of the properties.

### **As Improved**

The existing use is a legal use of the land and the value of the land as improved far exceeds the value of the site if vacant. This means that the existing improvements contribute substantial value to the site. Based on these considerations, it is our opinion that the existing improvements constitute the highest and best use of the subject property.

## VALUATION METHODOLOGY

### Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

### Valuation Approaches

Three basic approaches to value are available to the appraiser:

#### **Cost Approach**

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. This is then added to the estimated land value to provide a value estimate.

#### **Income Approach**

This approach is based upon the theory that the value of the property tends to be set by the expected net income therefrom to the owner. It is, in effect, the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

#### **Direct Comparison Approach**

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and proposed use be obtained through interview and observation.

*Static Residual Analysis* is used to estimate the merchant builder land value. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder land value.

The Direct Sales Comparison Approach is used for the valuation of land when sufficient comparable sales are available. The sales price would be considered the best indicator of value, assuming the sale is current and in a similar land condition. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly income, but rather purchased to construct an end product that may or may not generate income. The Cost Approach is not an appropriate tool in the valuation of land.

As previously discussed, there are 386 completed and proposed dwelling units within CFD No. 2006-2, of which 285 dwellings have sold to individual homeowners. There are 3 model homes, 31 nearly complete dwellings and 8 dwellings under construction. The balance of the District consists of 59 physically finished lots. The appraisers have utilized a mass appraisal technique in the valuation of the 285 completed and sold dwelling units. When implementing a mass appraisal, conservative estimates are to be used in the valuation. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, **on an overall basis**, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value, for the average size unit for the 285 dwellings within the subject products. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

In addition to the 285 completed and sold dwelling units, there are 3 completed model homes, 31 nearly complete dwelling units and 8 dwellings under construction. Traffic and acceptance of the products have been acceptable, with stabilizing market

conditions. These dwellings have been conservatively valued based on current base asking prices for the Cabrillo product. The 8 dwellings under construction are valued based on the estimated completion of construction with consideration given to current market conditions. The model homes are based on 100% completion with consideration to the landscape, options and upgrades.

For the 59 physically finished lots under the ownership of the merchant builder, the Direct Sales Comparison Approach and Static Residual Analysis are used to value the finished lots. Valuation by the Direct Sales Comparison Approach is with similar merchant builder land sales, when available, and current listings. The Static Residual Analysis is also used for valuation purposes as it more closely reflects current market conditions. A finished lot value is estimated with consideration from each analysis. The finished lots include 59 lots under the ownership of KB Home Coastal Inc. proposed for the Cabrillo product. From the estimated finished lot value, a deduction for the cost to finish is made to arrive at an estimated value for the “as is” condition of the lots. As previously discussed, there are remaining off-site improvements which are required as a condition of development. The improvements include completion of a traffic signal and construction of improvements and amenities for a park site. The estimated cost of off-site construction is also deducted from the estimated finished lot value of the 59 lots. Consideration is also given to the bond proceeds of CFD No. 2006-2 for specific reimbursements to KB Home Coastal Inc. for fees and off-site construction.

## VALUATION OF SOLD DWELLING UNITS

### Valuation of 285 Completed and Sold Dwelling Units

As previously discussed, there are 285 completed dwelling units which sold to individual homeowners within the development of CFD No. 2006-2 since 2010. Over the 4 year timeframe, sales within the community have gone through the recovery cycle from the previous deep recession. During 2011, sales prices began to stabilize, with increases in price starting in 2013 that have continued to the present time. Please refer to the Addenda of this report for a unit by unit summary of each sale, date of sale, and sales price as of January 15, 2015. Due to the built-out status of this portion of the District, the appraisers have utilized a mass appraisal technique in the valuation of the completed dwelling units. When implementing a mass appraisal, conservative estimates are to be used in the valuation. It is implicit in mass appraisal that some individual value conclusions will not meet standards of reasonableness, consistency and accuracy. *However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, **on an overall basis**, the value conclusions meet attainable standards of accuracy.* The appraisers have used an average conservative value, for the average size unit for the sold dwellings. By utilizing average value estimates, individual home values could be higher or lower, depending on unit size. However, on an overall basis, the value conclusions are reasonable and meet attainable standards of accuracy.

The total sold dwellings as of January 15, 2015 generally include dwellings that were built between 2011 and 2014 within the four previously described products, built by KB Home Coastal Inc. This section of the report will first value, by mass appraisal, the 285 sold dwellings. The following section of this report will value the built but unsold dwellings, as well as the dwelling units that are under construction within the Cabrillo product.

As discussed within this report, the residential market has shown significant signs of improvement over the past 24+ months within the Inland Empire. Interviews with sales personnel have reported price increases between phases of development, which is the first time this has occurred since 2006. As discussed in the Highest and Best Use

section of this report, the median new home price has increased approximately 7.1% over the past 12± months in the subject's market area.

Sales for CFD No. 2006-2 began in 2011 with the exception of three previously built dwellings. To analyze the sales trends within the subject products the appraisers have reviewed the closed sales by grouping sales by year. Based on market conditions over the past 4 years, it would be reasonable to assume an upward trend in pricing for the subject sales, similar to other products in Riverside County and Southern California markets. Please refer to the following table which summarizes the average size unit, average sales price and average price per square foot for the sold sales. A unit by unit sales summary is included in the Addenda.

<b>Summary of Subject Sales</b>				
<u>Year</u>	<u>No. of Sales</u>	<u>Avg. Size</u>	<u>Avg. S/P</u>	<u>Avg. \$/SF</u>
2011	22	1,902 SF	\$226,409	\$119.01
2012	33	2,007 SF	\$233,281	\$112.87
2013	88	2,057 SF	\$261,538	\$127.15
2014	142	2,384 SF	\$297,430	\$124.78
Total	285			

The appraisers have given most consideration to the trend in sales prices over the past 24± months, which reflects the current market and market demand for the subject products. As previously discussed, the past recession has ended and market activity has increased significantly over the past 24± months. The appraisers have also given consideration to the 2014 base sales prices for the actively selling product of Cabrillo. The average size for the 285 sold dwelling units within Community Facilities District No. 2006-2 is 2,209 square feet. It is important to note, that as a dwelling unit size increases, all else being similar, the price per square foot usually decreases. The actual sales within the subject tracts reflect the state of the residential market over the timeframe of the sales. We have conservatively estimated a value per square foot of \$127.00 for the 285 sold dwelling units. The estimated Minimum Market Value for the

285 sold dwellings within CFD No. 2006-2 is calculated: 2,209 square feet X \$127.00 per square foot X 285 dwelling units = \$79,954,755.

The indicated Minimum Market Value for the 285 sold dwelling units within CFD No. 2006-2, is: \$79,954,755 rounded to \$80,000,000.

### **Valuation of Completed or Under Construction Dwelling Units**

In addition to the 285 completed and sold dwelling units within the four products, there are 3 completed Cabrillo model homes, 31 nearly complete production dwellings, 8 dwellings in various stages of unit construction and 59 physically finished lots.

The 3 model homes include landscape and hardscape and interior upgrades. In estimating a Minimum Market Value, we have taken into consideration the landscape and hardscape and option package included with the dwellings. No consideration is given to the furniture and fixtures of the model homes. The estimated Minimum Market Value for the 3 model homes is conservatively estimated at 10% above the current base price for the individual floor plan. The 31 nearly completed production homes are valued at 80% of the base selling price for the individual floor plan. The discounting is to reflect any risk of closing escrow and the remaining interior improvements that could be required to close escrow for a particular homebuyer. The dwelling units in various stages of unit construction are valued at an estimated percent complete applied to the base sales price of the floor plan. Dwelling units improved to color stucco with roofs under construction are conservatively valued at 60% of the base sales price. Dwelling units being framed are conservatively valued at 45% of the base sales price. Please refer to the following page which summarizes the estimated Minimum Market Values for the dwellings in various stages of unit construction under the ownership of the merchant builder. The following section of this report values the physically finished lots.

The indicated Minimum Market Value for the 42 dwellings built or under construction within the Cabrillo product and build-out of the Sequoia product under the ownership of the builder, KB Home Coastal Inc. is: \$9,200,150 rounded to \$9,200,000.



City of Perris CFD No. 2006-2 Monument Park Estates  
 Built but Unsold Dwellings and Dwelling Under Construction as of January 15, 2015

APN	Tract	Lot	Address	Owner Name	Unit Size	Description of Dwelling Unit	% Complete	Average S/P	Est. As Is Value
330-550-027	36343	87	3383 Appalachian Dr	KB Home Coastal Inc	2,134	Complete model home	110%	\$273,000	\$300,300
330-550-028	36343	88	3375 Appalachian Dr	KB Home Coastal Inc	2,376	Complete model home	110%	\$281,000	\$309,100
330-550-029	36343	89	3367 Appalachian Dr	KB Home Coastal Inc	2,639	Complete model home	110%	\$289,000	\$317,900
330-550-033	36343	93	3335 Appalachian Dr	KB Home Coastal Inc	2,937	Nearly complete dwelling	80%	\$309,000	\$247,200
330-550-017	36343	112	140 Yosemite Ave	KB Home Coastal Inc	2,937	Nearly complete dwelling	80%	\$309,000	\$247,200
330-500-002	31926-2	2		KB Home Coastal Inc	3,085	Nearly complete dwelling	80%	\$309,000	\$247,200
330-501-003	31926-2	6	164 Muir Woods Rd	KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-501-004	31926-2	7	168 Muir Woods Rd	KB Home Coastal Inc	2,783	Nearly complete dwelling	80%	\$301,000	\$240,800
330-501-007	31926-2	10	3469 Presidio Ln	KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-502-003	31926-2	46		KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-503-007	31926-2	110		KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-503-011	31926-2	114		KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-503-013	31926-2	116	187 Muir Woods Rd	KB Home Coastal Inc	2,604	Nearly complete dwelling	80%	\$292,000	\$233,600
330-503-014	31926-2	117		KB Home Coastal Inc	3,085	Nearly complete dwelling	80%	\$309,000	\$247,200
330-540-030	36343	35	137 Cuyahoga Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-031	36343	36	133 Cuyahoga Ct	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-540-034	36343	39	121 Cuyahoga Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-036	36343	41	113 Cuyahoga Ct	KB Home Coastal Inc	2,639	Nearly complete dwelling	80%	\$289,000	\$231,200
330-540-037	36343	42	109 Cuyahoga Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-044	36343	54	110 Cuyahoga Ct	KB Home Coastal Inc	2,134	Nearly complete dwelling	80%	\$273,000	\$218,400
330-540-045	36343	55	114 Cuyahoga Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-046	36343	56	118 Cuyahoga Ct	KB Home Coastal Inc	2,639	Nearly complete dwelling	80%	\$289,000	\$231,200
330-540-047	36343	57	122 Cuyahoga Ct	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-540-048	36343	58	126 Cuyahoga Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-050	36343	60	134 Cuyahoga Ct	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-540-051	36343	61	138 Cuyahoga Ct	KB Home Coastal Inc	2,639	Nearly complete dwelling	80%	\$289,000	\$231,200
330-540-052	36343	62	144 Cuyahoga Ct	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-540-053	36343	63	3419 Buffalo Rd	KB Home Coastal Inc	2,639	Nearly complete dwelling	80%	\$289,000	\$231,200
330-540-055	36343	65	3411 Buffalo Rd	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-540-065	36343	75	3413 Gettysburg Ct	KB Home Coastal Inc	2,376	Nearly complete dwelling	80%	\$281,000	\$224,800
330-550-020	36343	115	152 Yosemite Ave	KB Home Coastal Inc	2,937	Nearly complete dwelling	80%	\$309,000	\$247,200
330-551-008	36343	125	3400 Buffalo Rd	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-541-013	36343	138	3486 Buffalo Rd	KB Home Coastal Inc	2,937	Nearly complete dwelling	80%	\$309,000	\$247,200
330-552-018	36343	157	3396 Cabrillo Ct	KB Home Coastal Inc	1,848	Nearly complete dwelling	80%	\$260,000	\$208,000
330-540-003	36343	3	159 Muir Woods Rd	KB Home Coastal Inc	2,639	Framing	45%	\$289,000	\$130,050
330-540-004	36343	4	156 Muir Woods Rd	KB Home Coastal Inc	1,848	Framing	45%	\$260,000	\$117,000
330-540-026	36343	31	128 Muir Woods Rd	KB Home Coastal Inc	1,848	Framing	45%	\$260,000	\$117,000
330-540-032	36343	37	129 Cuyahoga Ct	KB Home Coastal Inc	2,639	Color coat, roof under construction	60%	\$289,000	\$173,400
330-540-038	36343	43	105 Cuyahoga Ct	KB Home Coastal Inc	2,134	Color coat, roof under construction	60%	\$273,000	\$163,800
330-540-078	36343	48	90 Cuyahoga Ct	KB Home Coastal Inc	2,639	Color coat, roof under construction	60%	\$289,000	\$173,400
330-540-041	36343	51	98 Cuyahoga Ct	KB Home Coastal Inc	2,376	Color coat, roof under construction	60%	\$281,000	\$168,600
330-540-043	36343	53	106 Cuyahoga Ct	KB Home Coastal Inc	1,848	Color coat, roof under construction	60%	\$260,000	\$156,000



## VALUATION OF FINISHED LOTS

### General Information

The land without unit construction within CFD No. 2006-2, includes 59 physically finished lots proposed for the Cabrillo product. The lots have an average lot size of 6,500± square feet. All of the physically finished lots require minor site work and payment of impact fees before unit construction can begin. Based on a review of the merchant builder's detailed budget, approximately \$35,500 per lot for impact fees are due at the time a building permit is issued. The remaining site work is estimated at \$12,700 per lot.

According to the builder, there are additional off-site improvements that are required as a condition of development. A traffic signal is under construction at the intersection of Goetz and Fieldstone, on the east side of Tr 36343, which is reported to be 85% complete. The estimated cost is \$135,050. In addition, improvements to a future 6.71 acre park are required. The site is located north of the District on the west side of Goetz Road. Improvements include grading, installation of storm drains, parking lot, landscape, shade structures, restroom and mechanical rooms and play equipment. The estimated cost for the park site is \$1,622,790. CFD No. 2006-2 net bond proceeds are estimated at \$9,000,000, which includes reimbursement for numerous fees and off-site improvements. The current reimbursement estimates for the remaining 59 lots and park site improvement and amenities are \$2,800,000.

The finished lots will be valued by the Direct Comparison Approach and the Static Residual. From the estimated finished lot values, deductions will be made for costs to complete to finished lot condition to estimate the "as is" condition of the 59 physically finished lots. This section of the report values the physically finished lots.

The actual sales price of a particular parcel is always considered the best indication of value, assuming the transaction is arm's length, current and meets the definition of Market Value. Due to the past downturn in the residential market between 2006 and 2012 and lack of demand for merchant builder land, there have been very

limited recent comparable land sales within the subject market place. Data No. 1 is the June 2010 sale of the subject parcels. At the time of the sale, the housing market was at or near the trough of the market and sales activity and home prices had been significantly negatively impacted. Home prices and sales have increased since the time of the land sale. Data No. 3 is a 2013 land sale in the City of Perris with the Steeplechase product in an active sales program built by Richmond American Homes. The other data items are for current land listings. None of the listings have reportedly experienced recent interest. Data Nos. 1, 2, 3 and 4 are located within the City and Data No. 4 is located in unincorporated County but considered within the sphere of influence of the City of Perris.

Due to the lack of comparable land sales and the changing market conditions, the Static Residual Analysis is also used to estimate finished lot values. The currently selling product of KB Home Coastal Inc. is analyzed. The results of both the Direct Comparison Approach and the Static Residual Analysis are considered in estimating finished lot values for the subject's 59 lots.

#### **Direct Sales Comparison Approach**

The Direct Sales Comparison Approach is based upon the premise that, when a property is replaceable in the market, its value tends to be set by the purchase price necessary to acquire an equally desirable substitute property, assuming no costly delay is encountered in making the decision and the market is reasonably informed. In appraisal practice, this is known as the Principle of Substitution.

This approach is a method of analyzing the subject property by comparison of actual sales of similar properties, when available. These sales are evaluated by weighing both overall comparability and the relative importance of such variables as time, terms of sale, location of sale property, and lot characteristics. For the purpose of this report, the unit of comparison utilized is the price per lot for the residential land. Please refer to the following page that summarizes the subject's sale and comparables.

### Land Sales Summary

Data No./ Project	Buyer/ Seller	Sale Date	Minimum Lot Sz	No. of Lots	Sales Price	Sale Price Per Lot	Finished Price/Lot	Land Condition at Time of Sale
No. 1 Monument Park Estates NWC Ethanac Rd & Goetz Rd Perris <b>Subject Property</b>	KB Home Coastal Inc. SA California Group, Inc. Trs 31926, 31926-2, 36343	6/3/2010	4,792	337 at purchase	\$17,175,000	\$50,964	\$85,729	graded to paved w/dry util \$24,265±/lot overall + fees \$35,500±/lot less CFD reimb. est. at \$25,000/lot
No. 2 SWC Ellis & A Street Perris	Listing TTM 32032	Listing	6,000	108	\$2,250,000	\$20,833	\$105,833	raw land TTMMap engineering complete \$35,000±/lot fees \$50,000±/lot site \$
No. 3 Evans & Oleander Perris	Richmond American Homes MPLC Evans 137 LLC	8/30/2013	7,200	137	\$8,300,000	\$60,584	\$100,584	blue top lots 2% tax rate Steeplechase product selling
No. 4 NWC Nuevo Rd & Evans Rd Perris	Listing Trs 31659, 32041-1, 33338	Listing	N/A	297	\$9,000,000	\$30,303	N/A	raw land 3 final tract maps
No. 5 S/O Metz Rd E/O Bond Drive Perris	Listing	Listing	6,000	41	\$870,000	\$21,220	N/A	raw no map utilities fronting pcl no Mello-Roos

We have searched for residential sales in the Perris market area. Data Nos. 1, 2 and 3 are considered the most helpful in valuing the subject property. We have reviewed and inspected all of the data items. The data includes the finished lot prices for merchant builder parcels, when made available. The comparable land listings are in a raw condition. The subject property was sold with various stages of site construction completed. Costs to bring the land from the condition at the time of sale to finished lot condition were made available to the appraisers to analyze the data. Therefore, the analysis will conclude at an indication of the finished lot value for the subject lots.

Between the date of the subject land sale and the date of value, market conditions have improved. As discussed, over the past 24± months, the residential market throughout Southern California and Riverside County has experienced significant increases in sales activity and sales prices. However, during 2014 sales activity and sales prices began to stabilize with moderate increases in some areas. As the demand for the dwelling units increase, and related home prices increase, the value of the land or lots increases.

### **Analysis**

#### *Financing*

All of the comparable sales were all cash transactions or financing considered to be cash, therefore, no adjustments for financing were warranted.

#### *Property Rights Conveyed*

All of the comparables involved the transfer of the fee simple interest. The subject fee simple interest is appraised in this report, and therefore, no adjustment is warranted.

#### *Time of Sale*

Since the time of the subject land sale, the residential market in the subject's area has rebounded from the previous recession. During the most recent recession, home prices were severely negatively impacted. During 2012, the market appeared to begin to stabilize. From mid-2012 through 2013, home sales significantly increased, followed by sales price increases. Interviews with sales personnel indicated that their

base pricing was being increased with each phase of development over that timeframe. Over the most recent 12 months, the market has continued its rebound from the previous recession, although at a more moderate and hopefully sustaining rate. While home prices have continued to moderately increase, home sales have significantly decreased. The outlook for 2015 is that sales activity will strengthen, with continued historically low mortgage rates, while home prices will tend to level off. We have conservatively estimated an upward adjustment of 15% for time of sale for Data No. 1. Data No. 3 which sold in mid-2013 does not warrant an adjustment for time. The land listings have not had recent interest at the current listing prices. Based on interviews with land brokers and our knowledge of the residential market, we have conservatively estimated a 10% downward adjustment to the listing prices of the comparables.

#### *Conditions of Sale*

Typically, adjustments for conditions of sale reflect the motivations of the buyer and the seller in the transfer of real property. The conditions of sale adjustment reflects the difference between the actual sales price of the comparable and its probable sales price if it were sold in an arms-length transaction with typical motivations. Some circumstances of comparable sales that will need adjustment include sales made under duress, eminent domain transactions and sales that were not arm's length. All of the transactions were reported to be arm's length in nature. Accordingly, no adjustment is indicated.

#### *Location*

The location adjustment is based on proximity to existing infrastructure, amenities and employment. The sale and listings are located in the City of Perris or adjacent unincorporated County. No adjustments are indicated.

#### *Entitlement/Map Status*

All of the sales are entitled. No adjustment is required.

#### *Tax Rate*

The subject property is expected to have a projected tax rate that ranges from 1.8% to 2.0% of base sales price. Data Nos. 1 and 3 are located within a Community Facilities

District, none of the listings have CFDs, a downward adjustment is required. We have estimated a downward adjustment of 5% for all of the listings.

#### *Lot Size*

The comparables have minimum lot sizes from 3,000 to 6,000 square feet. The minimum lot size for Tract 36343 is 3,000 square feet, although the smallest lot is 4,792 square feet and the average size is around 6,500 square feet. No adjustment for lot size is indicated.

#### *Condition of Lots*

Only two of the data included information to estimate a finished lot price. According to the builder/developer, there will be costs associated with the physically finished lots within CFD No. 2006-2. The costs will be deducted from the finished lot values when estimating the "As Is" Values for the subjects 59 lots.

#### *Finished Lot Values by Direct Comparison*

Please refer to the following page for the adjustment grid of the four comparables. The adjusted finished lot values are \$90,487 for the current listing, \$98,588 for the subject sale and \$100,500 for the August 2013 sale. Data Nos. 1 and 3, are considered the best indicators of value by Direct Comparison. We have concluded at \$100,000 per lot for the finished lots within CFD No. 2006-2.

As previously discussed, the residential market started to stabilize during 2012, after the lengthy down turn in the residential market over the previous six years. By mid-2012, the positive impact on the residential market started and has continued to the present time. The impact of the sales activity and minimal supply to meet demand resulted in increased sales prices during 2012 and 2013. While the residential market continues to be positive, sales activity has decreased during 2014 compared to 2013 and price levels have begun to moderate. In a rapidly changing market the better indication of land value can be estimated by the Static Residual Analysis which reflects current dwelling sales prices and market conditions. The following paragraphs discuss the Static Residual Analysis.

### Land Sales Adjustment Summary

Data No./ Project	Sale Date	Minimum Lot Sz	No. of Lots	Finished Price/Lot	Time	Adjusted F. Lot \$	Location	Overall Tax Rate	Adjusted F. Lot \$	Land Condition at Time of Sale
No. 1 Monument Park Estates WC Ethanac Rd & Goetz Rd Perris <b>Subject Property</b>	6/3/2010	4,792	337 at purchase	\$85,729	15%	\$98,588	0%	0%	\$98,588	graded to paved w/dry util \$24,265±/lot overall + fees \$35,000±/lot less CFD reimb of \$25,000/lot
No. 2 SWC Ellis & A Street Perris	Listing	6,000	108	\$105,833	-10%	\$95,250	0%	-5%	\$90,487	raw land TMap engineering complete \$35,000±/lot fees \$50,000±/lot site \$
No. 3 Evans & Oleander Perris	8/30/2013	7,200	137	\$100,500	0%	\$100,500	0%	0%	\$100,500	blue top lots Mello Roos Dist. final map
No. 4 NWC Nuevo Rd & Evans Rd Perris	Listing	N/A	297	N/A						raw land 3 final tract maps
No. 5 S/O Metz Rd E/O Bond Drive Perris	Listing	6,000	41	N/A						raw no map utilities fronting pcl no mello-roos

## **Static Residual Analysis to Finished Lot Value**

The merchant builder land is valued by the Direct Comparison Approach and by the Static Residual Analysis. The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a subdivision represents the highest and best use and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of one to two years which represents the typical holding period sought by merchant builders. The Static Residual Analysis best replicates the investor's analysis when determining what can be paid for the land based on proposed product. Purchase of the land is simply treated as one of the components necessary to build the houses to sell to the homeowner. When all the components of the end-product can be identified and reasonable estimates of costs and profit can be allocated, the Static Residual Analysis becomes the best indicator of value to a merchant builder for a specific product. Specific product information is available, which makes this analysis particularly meaningful.

The analysis uses an estimated average base sales price for a specific product, then deducts the various costs including direct and indirect costs of construction, marketing, taxes and overhead, as well as the required profit margin to attract an investor in light of the risks and uncertainties of the project and residential market. This analysis is most helpful when significant lot and or view premiums are not present. When negotiating land price, builders typically will consider the value of lot premiums when they are significant, but typically do not give the premiums full consideration. When a downturn in the market occurs or a slight stall in a sales program, premiums are typically the first to be negotiated away.

### *End-product Sales Prices*

The analysis uses the average base sales price as provided by the builder without lot premiums. The Cabrillo product has met with good market acceptance. Based on interviews with sales personnel in the subject's market area, it appears that



the market is moderating, or at least not increasing in price as it had during 2012 and 2013.

#### *Direct Development Costs*

The builders have provided direct construction costs to build the various floor plans at Cabrillo. Based on our understanding of the proposed quality of construction, home size and functional utility, we have estimated direct construction costs of \$48.00 per square for the Cabrillo product. Based on the proposed quality of construction, home size and functional utility, the builder's cost appears reasonable.

Indirect construction costs have been estimated at 4% of sales price. The 4% deduction is generally similar to the indirect cost estimate provided by the builder/developer.

#### *General and Administrative*

General and administrative costs are estimated at 3% of retail value. This category covers such expenses as administrative, professional fees, real estate taxes, and miscellaneous costs. This estimate is typical and consistent with the market.

#### *Marketing and Warranty*

Marketing and sales expenses plus warranty costs are estimated at 6% of retail value. This category covers such expenses as advertising and sales commissions and home warranties. This estimate is typical and consistent with the market.

#### *Developer Profit*

The line item for profit reflects the required margin to attract an investor in light of the risk and uncertainties of the specific project. This analysis assumes a finished lot and no on-site construction. Therefore, additional risk of development is unknown.

Based on surveys of builders, current profit requirements are typically between 8% and 12% of revenues, with occasional responses as high as 15%. These profit estimates are for projects that can be constructed and sold out in a two-year period. Higher profits can be required for longer construction/sellout periods and riskier

projects. Lower profits can be accepted in inexpensive land cost areas where homes sell quickly. Given the continued strength of the market over the past 24± months, the market demand for products similar to the subject is good. Based on a review of the absorption of the subject product and competing subdivisions, a sales rate of 5± dwellings per month for the product appears reasonable.

The line item for profit is based on a typical holding period sought by merchant builders; that of 1 to 2 years. Based on current market conditions and the outlook for the next 12 to 24 months, a 7% line item for profit, would seem appropriate for a 1± year holding period. Lots proposed for the build-out of the Cabrillo product is 59, which would indicate a 1± year holding period.

#### *Interest During Holding Period*

A typical allowance for financing during the holding period has been between 5% and 7%. Based on recent interviews with builders in the subject market area, we have chosen a 5% deduction for financing during the holding period.

#### *Site Costs*

Because this analysis residuals to a finished lot condition, deductions for costs to bring to a finished lot condition are not required.

The following page illustrates the Static Residual Analysis for the currently selling product of Cabrillo within the District. This analysis indicates a finished lot value of \$93,000.

#### **Conclusion of Finished Lot Values**

The following table summarizes the conclusions of the finished lot values by the Direct Comparison Approach, the Static Residual Analysis and the concluded lot value. Due to the continued changes in the residential market and limited land sales, we have given most consideration to the results of the Static Residual Analysis.

**CABRILLO  
KB HOME  
6,500 SF Lots - Aveage Lot Size  
Estimated Finished Lot Value**

Size	Base Price	\$/SF
1,848	\$259,990	\$140.69
2,134	\$272,990	\$127.92
2,376	\$280,990	\$118.26
2,639	\$288,990	\$109.51
2,937	\$308,990	\$105.21
<b>Average</b>	<b>2,387</b>	<b>\$282,390</b>

Incentive 2%: \$5,648

Land Ratios

*6,500 SF Average Lot Size  
59 Finished Lots*

Average Retail Value of Improvements \$276,742 \$115.95  
(Per sq. ft.)

Average Dwelling Size (Sq. Feet)	2,387	
Direct Building Cost Per Sq. Ft.	\$48.00	\$114,566
Indirect Construction Costs	4.00%	\$11,070
General & Administrative Costs	3.00%	\$8,302
Marketing and Warranty Costs	6.00%	\$16,605
Builder's Profit	7.00%	\$19,372
Interest During Holding Period	5.00%	\$13,837
Costs to bring to Finished Lot		<u>None</u>

**Finished Lot Value Estimate: \$92,990**  
Rounded to: **\$93,000**

0.34

<b>Finished Lot Value Conclusions</b>						
<u>Product</u>	<u>No. Lots</u>	<u>Direct Comparison Approach</u>	<u>Average Lot Size</u>	<u>Static Residual Analysis</u>	<u>Finished Lot Ratio</u>	<u>Concluded Lot Value</u>
Cabrillo	59	\$100,000	6,500 SF	\$93,000	34%	\$95,000

The 59 lots proposed for the Cabrillo product are under the ownership of KB Home Coastal Inc. According to information provided by the merchant builder, the impact fees required for the build-out of the District are estimated at \$35,500 per lot. The developer has also indicated that the remaining site costs are approximately \$2,510,000; which includes the costs of \$1,625,000± for the park improvements and \$135,000± for the off-site traffic signal. The eligible CFD reimbursements are for sewer, water, development impact fees and EMWD fees, street improvements and park site improvements. The total estimated CFD reimbursements are approximately \$9,000,000. Of the estimated CFD reimbursements, the appraisers have estimated \$20,143 per lot for the build-out of 59 lots. In addition, the improvements to the unimproved park site is estimated at \$1,625,000. A total of \$2,813,500 is estimated for reimbursement for the build-out of the 59 lots within the District. The following calculations estimate the "As Is" Minimum Market Value for the 59 lots under the ownership of KB Home Coastal Inc.

59 Finished Lots X \$95,000 =	\$5,605,000
Less: Impact Fees =	-\$2,094,500
Less: Remaining Site Cost =	-\$ 750,000
Less: Remaining Off-Site Cost =	-\$1,760,000
Plus CFD Reimbursement =	<u>\$2,813,500</u>
	\$3,814,000
Say	\$3,800,000

The indicated Minimum Market Value for the 59 physically finished lots within the Cabrillo product under the ownership of the builder, KB Coastal Home Inc. is: \$3,800,000.

## **VALUATION CONCLUSION**

Based on the investigation and analyses undertaken, our experience as real estate appraisers and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of Minimum Market Value are formed as of January 15, 2015.

### **CFD No. 2006-2**

**NINETY-THREE MILLION DOLLARS  
\$93,000,000**

### **285 Individual Homeowners**

**EIGHTY MILLION DOLLARS  
\$80,000,000**

### **KB HOME COASTAL INC**

**THIRTEEN MILLION DOLLARS  
\$13,000,000**

**(42 Dwellings Completed and U/C - \$9,200,000)  
(59 Physically Finished Lots - \$3,800,000)**

## **CERTIFICATION**

We hereby certify that during the completion of this assignment, we personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

We have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

We have not provided appraisal services regarding the subject property within the last three years to our client, the City of Perris.

To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

Our engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

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

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

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

No one provided significant real property appraisal assistance to the persons signing this certificate.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives. In furtherance of the aims of the Appraisal Institute to develop higher standards of professional performance by its Members, we may be required to submit to authorized committees of the Appraisal Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,

Berri Cannon Harris  
Principal  
AG009147

James B. Harris, MAI  
Principal  
AG001846

Draft

**ADDENDA**

Draft



*QUALIFICATIONS*

**HARRIS REALTY APPRAISAL**

5100 Birch Street, Suite 200

Newport Beach, CA 92660

(949) 851-1227

**QUALIFICATIONS  
OF  
JAMES B. HARRIS, MAI**

***PROFESSIONAL BACKGROUND***

Actively engaged as a real estate analyst and consulting appraiser since 1971. Principal of **Harris Realty Appraisal**, with offices at:

5100 Birch Street, Suite 200  
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

***PROFESSIONAL ORGANIZATIONS***

Member of the Appraisal Institute, with MAI designation No. 6508  
Director, Southern California Chapter – 1998, 1999  
Chair, Orange County Branch, Southern California Chapter -1997  
Vice-Chair, Orange County Branch, Southern California Chapter - 1996  
Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998  
Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999  
Chairman, Southern California Chapter Seminar Committee - 1991  
Chairman, Southern California Chapter Workshop Committee - 1990  
Member, Southern California Chapter Admissions Committee - 1983 to 1989  
Member, Regional Standards of Professional Practice Committee -1985 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

***EDUCATIONAL ACTIVITIES***

B.S., California State Polytechnic University, Pomona.

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.

## **TEACHING AND LECTURING ACTIVITIES**

Seminars and lectures presented to the Appraisal Institute, the University of California-Irvine, UCLA, California Debt and Investment Advisory Commission, Stone & Youngberg and the National Federation of Municipal Analysts.

## **MISCELLANEOUS**

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

## **LEGAL EXPERIENCE**

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsel in the completion of 175 Land Secured Municipal Bond Financing appraisals over the last five years.

## **SCOPE OF EXPERIENCE**

### ***Feasibility and Consultive Studies***

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

### ***Appraisal Projects***

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Hawaii, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

### ***Residential***

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

### ***Commercial***

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

### ***Industrial***

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

### ***Vacant Land***

Community Facilities Districts, Assessment Districts, master planned communities, residential, commercial and industrial sites; full and partial takings for public acquisitions.

**QUALIFICATIONS  
OF  
BERRI CANNON HARRIS**

***PROFESSIONAL BACKGROUND***

Actively engaged as a real estate appraiser since 1982. Principal of ***Harris Realty Appraisal***, with offices at:

5100 Birch Street, Suite 200  
Newport Beach, California 92660

Before joining Harris Realty Appraisal was employed with Interstate Appraisal Corporation as Assistant Vice President. Prior to employment with Interstate Appraisal was employed with Real Estate Analysts of Newport Beach as a Research Assistant.

***PROFESSIONAL ORGANIZATIONS***

Appraisal Institute

Co-Chair, Southern California Chapter Hospitality Committee - 1994 - 1998  
Chair, Southern California Chapter Research Committee - 1992, 1993

Commercial Real Estate Women (CREW) – Orange County Chapter

Chair, Special Events – 1998 - 2003  
Second Vice-President - 1996, 1997  
Treasurer - 1993, 1994, 1995  
Chair, Network Luncheon Committee - 1991, 1992

California State Certified Appraiser, Number AG009147

***EDUCATIONAL ACTIVITIES***

B.S., University of Redlands, Redlands, California

Successfully completed the following courses sponsored by the Appraisal Institute:

Principles of Real Estate Appraisal  
Basic Valuation Procedures  
Capitalization Theory and Techniques - A  
Capitalization Theory and Techniques - B  
Report Writing and Valuation Analyses  
Standards of Professional Practice  
Case Studies in Real Estate Valuation

Has attended numerous seminars sponsored by the Appraisal Institute. Has also attended real estate related courses through University of California-Irvine.

## **LECTURING ACTIVITIES**

Seminars and lectures presented to UCLA, California Debt and Investment Advisory Commission, and Stone & Youngberg.

## **MISCELLANEOUS**

Member of the Advisory Panel to the California Debt and Investment Advisory Commission, regarding Appraisal Standards for Land Secured Financing (March 2003 through June 2004)

## **SCOPE OF EXPERIENCE**

### ***Appraisal Projects***

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona and Hawaii.

#### ***Residential***

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

#### ***Commercial***

Office buildings, retail store buildings, restaurants, neighborhood-shopping centers, strip retail centers.

#### ***Industrial***

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

#### ***Vacant Land***

Residential sites, commercial sites, industrial sites, large multi-unit housing, master planned unit developments, and agricultural acreage. Specializing in Community Facilities District and Assessment District appraisal assignments.

## **PARTIAL LIST OF CLIENTS**

### ***Lending Institutions***

Bank of America  
Bank One  
Commerce Bank  
Downey S&L Assoc.  
Fremont Investment and Loan  
First Los Angeles Bank  
Institutional Housing Partners

NationsBank  
Preferred Bank  
Santa Monica Bank  
Tokai Bank  
Union Bank  
Universal S&L Assoc.  
Wells Fargo Bank

### ***Public Agencies***

Army Corps of Engineers  
California State University  
Caltrans  
City of Aliso Viejo  
City of Beaumont  
City of Corona  
City of Costa Mesa  
City of Encinitas  
City of Fontana  
City of Fullerton  
City of Hemet  
City of Hesperia  
City of Honolulu  
City of Huntington Beach  
City of Indian Wells  
City of Irvine  
City of Lake Elsinore  
City of Loma Linda  
City of Los Angeles  
City of Moreno Valley  
City of Newport Beach  
City of Oceanside

City of Palm Springs  
City of Perris  
City of Riverside  
City of San Marcos  
City of Tustin  
City of Victorville  
County of Orange  
County of Riverside  
County of San Bernardino  
Eastern Municipal Water District  
Orange County Sheriff's Department  
Ramona Municipal Water District  
Rancho Santa Fe Comm. Services District  
Capistrano Unified School District  
Hemet Unified School District  
Hesperia Unified School District  
Romoland School District  
Saddleback Valley Unified School District  
Santa Ana Unified School District  
Val Verde Unified School District  
Yucaipa-Calimesa Unified School District

### ***Law Firms***

Arter & Hadden  
Bronson, Bronson & McKinnon  
Bryan, Cave, McPheeters & McRoberts  
Richard Clements  
Cox, Castle, Nicholson  
Gibson, Dunn & Crutcher  
Hill, Farrer & Burrill

McClintock, Weston, Benshoof,  
Rocheffort & MacCuish  
Palmiri, Tyler, Wiener, Wilhelm, & Waldron  
Sonnenschein Nath & Rosenthal  
Strauss & Troy  
Wyman, Bautzer, Rothman, Kuchel &  
Silbert

**OWNERSHIP 59 LOTS (1/15/2015)**

City of Perris CFD No. 2006-2 Monument Park Estates

Physically Finished Lots as of January 15, 2015

APN	Tract	Lot	Address	Owner Name	Unit Size
330-540-001	36343	1	167 Muir Woods Rd	KB Home Coastal Inc	
330-540-002	36343	2	151 Muir Woods Rd	KB Home Coastal Inc	
330-540-005	36343	5	139 Muir Woods Rd	KB Home Coastal Inc	
330-540-006	36343	6	135 Muir Woods Rd	KB Home Coastal Inc	
330-540-007	36343	7	131 Muir Woods Rd	KB Home Coastal Inc	
330-540-008	36343	8	127 Muir Woods Rd	KB Home Coastal Inc	
330-540-009	36343	9	123 Muir Woods Rd	KB Home Coastal Inc	
330-540-010	36343	10	119 Muir Woods Rd	KB Home Coastal Inc	
330-540-011	36343	11	115 Muir Woods Rd	KB Home Coastal Inc	
330-540-012	36343	12	111 Muir Woods Rd	KB Home Coastal Inc	
330-540-013	36343	13	107 Muir Woods Rd	KB Home Coastal Inc	
330-540-014	36343	14	103 Muir Woods Rd	KB Home Coastal Inc	
330-540-015	36343	15	101 Muir Woods Rd	KB Home Coastal Inc	
330-540-016	36343	16	97 Muir Woods Rd	KB Home Coastal Inc	
330-540-071	36343	17	93 Muir Woods Rd	KB Home Coastal Inc	
330-540-072	36343	18	91 Muir Woods Rd	KB Home Coastal Inc	
330-540-073	36343	19	89 Muir Woods Rd	KB Home Coastal Inc	
330-540-074	36343	20	90 Muir Woods Rd	KB Home Coastal Inc	
330-540-075	36343	21	92 Muir Woods Rd	KB Home Coastal Inc	
330-540-017	36343	22	94 Muir Woods Rd	KB Home Coastal Inc	
330-540-018	36343	23	98 Muir Woods Rd	KB Home Coastal Inc	
330-540-019	36343	24	102 Muir Woods Rd	KB Home Coastal Inc	
330-540-020	36343	25	104 Muir Woods Rd	KB Home Coastal Inc	
330-540-021	36343	26	108 Muir Woods Rd	KB Home Coastal Inc	
330-540-022	36343	27	112 Muir Woods Rd	KB Home Coastal Inc	
330-540-023	36343	28	116 Muir Woods Rd	KB Home Coastal Inc	
330-540-024	36343	29	120 Muir Woods Rd	KB Home Coastal Inc	
330-540-025	36343	30	124 Muir Woods Rd	KB Home Coastal Inc	
330-540-027	36343	32	134 Muir Woods Rd	KB Home Coastal Inc	
330-540-028	36343	33	138 Muir Woods Rd	KB Home Coastal Inc	
330-540-035	36343	40	117 Cuyahoga Ct	KB Home Coastal Inc	
330-540-039	36343	44	101 Cuyahoga Ct	KB Home Coastal Inc	
330-540-040	36343	45	97 Cuyahoga Ct	KB Home Coastal Inc	
330-540-076	36343	46	95 Cuyahoga Ct	KB Home Coastal Inc	
330-540-077	36343	47	93 Cuyahoga Ct	KB Home Coastal Inc	
330-540-079	36343	49	94 Cuyahoga Ct	KB Home Coastal Inc	
330-540-080	36343	50	96 Cuyahoga Ct	KB Home Coastal Inc	
330-540-042	36343	52	102 Cuyahoga Ct	KB Home Coastal Inc	
330-540-059	36343	69	3414 Gettysburg Ct	KB Home Coastal Inc	
330-540-066	36343	76	3407 Gettysburg Ct	KB Home Coastal Inc	
330-540-067	36343	77	3402 Independence Ct	KB Home Coastal Inc	
330-540-068	36343	78	3410 Independence Ct	KB Home Coastal Inc	
330-540-069	36343	79	3418 Independence Ct	KB Home Coastal Inc	
330-540-070	36343	80	3420 Independence Ct	KB Home Coastal Inc	
330-540-081	36343	81	3421 Independence Ct	KB Home Coastal Inc	
330-540-082	36343	82	3419 Independence Ct	KB Home Coastal Inc	
330-540-083	36343	83	3415 Independence Ct	KB Home Coastal Inc	
330-540-084	36343	84	3411 Independence Ct	KB Home Coastal Inc	
330-540-085	36343	85	3405 Independence Ct	KB Home Coastal Inc	
330-550-026	36343	86	3391 Appalachian Dr	KB Home Coastal Inc	
330-550-030	36343	90	3359 Appalachian Dr	KB Home Coastal Inc	
330-550-031	36343	91	3351 Appalachian Dr	KB Home Coastal Inc	
330-550-032	36343	92	3343 Appalachian Dr	KB Home Coastal Inc	
330-552-040	36343	179	3342 Appalachian Dr	KB Home Coastal Inc	
330-552-041	36343	180	3356 Appalachian Dr	KB Home Coastal Inc	
330-552-042	36343	181	3368 Appalachian Dr	KB Home Coastal Inc	
330-552-043	36343	182	3376 Appalachian Dr	KB Home Coastal Inc	
330-552-044	36343	183	3382 Appalachian Dr	KB Home Coastal Inc	
330-552-045	36343	184	3390 Appalachian Dr	KB Home Coastal Inc	



**SUMMARY OF ASSESSED VALUES & TAXES**

Draft

**City of Perris CFD No. 2006-2**

Assessed Values &amp; Taxes 2014-15

<u>APN</u>	<u>Land Value</u>	<u>Imp. Value</u>	<u>Total Value</u>	<u>Prop. Tax</u>	<u>Tax Area</u>
330-500-001	\$26,322	\$0	\$26,322	\$325.22	8210
330-500-002	\$26,322	\$0	\$26,322	\$325.22	8210
330-500-003	\$26,322	\$0	\$26,322	\$325.22	8210
330-501-001	\$26,322	\$0	\$26,322	\$325.22	8210
330-501-002	\$26,322	\$204,500	\$230,822	\$4,251.32	8210
330-501-003	\$26,322	\$204,800	\$231,122	\$4,306.72	8210
330-501-004	\$26,322	\$218,000	\$244,322	\$4,536.30	8210
330-501-005	\$26,322	\$0	\$26,322	\$325.22	8210
330-501-006	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-501-007	\$57,913	\$0	\$57,913	\$2,459.38	8210
330-501-008	\$50,000	\$310,000	\$360,000	\$5,770.04	8210
330-501-009	\$57,913	\$209,200	\$267,113	\$4,779.38	8210
330-501-010	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-501-011	\$57,913	\$204,800	\$262,713	\$4,732.44	8210
330-501-012	\$57,913	\$199,600	\$257,513	\$4,535.98	8210
330-501-013	\$57,913	\$280,000	\$337,913	\$5,534.48	8210
330-501-014	\$57,913	\$204,800	\$262,713	\$4,643.64	8210
330-501-015	\$57,913	\$199,600	\$257,513	\$4,535.98	8210
330-501-016	\$57,000	\$293,000	\$350,000	\$5,663.38	8210
330-501-017	\$57,913	\$199,600	\$257,513	\$4,535.98	8210
330-501-018	\$26,322	\$209,200	\$235,522	\$4,301.44	8210
330-501-019	\$26,322	\$280,000	\$306,322	\$5,197.54	8210
330-501-020	\$50,000	\$251,500	\$301,500	\$5,005.12	8210
330-501-021	\$50,000	\$292,000	\$342,000	\$5,578.06	8210
330-501-022	\$50,000	\$240,500	\$290,500	\$5,028.80	8210
330-501-023	\$50,000	\$278,000	\$328,000	\$5,428.74	8210
330-501-024	\$50,000	\$260,500	\$310,500	\$5,101.10	8210
330-501-025	\$50,000	\$278,500	\$328,500	\$5,434.08	8210
330-501-026	\$26,322	\$204,800	\$231,122	\$4,306.72	8210
330-501-027	\$26,322	\$280,000	\$306,322	\$5,197.54	8210
330-501-028	\$26,322	\$245,000	\$271,322	\$4,735.46	8210
330-501-029	\$50,000	\$293,000	\$343,000	\$5,447.72	8210
330-501-030	\$50,000	\$299,000	\$349,000	\$5,652.72	8210
330-501-031	\$50,000	\$290,500	\$340,500	\$5,562.06	8210
330-501-032	\$26,322	\$204,800	\$231,122	\$4,306.72	8210
330-501-033	\$26,322	\$300,000	\$326,322	\$5,410.86	8210
330-501-034	\$50,000	\$252,500	\$302,500	\$5,156.78	8210
330-501-035	\$50,000	\$297,000	\$347,000	\$5,631.38	8210
330-501-036	\$26,322	\$209,200	\$235,522	\$4,442.44	8210
330-501-037	\$26,322	\$204,800	\$231,122	\$4,395.52	8210
330-501-038	\$50,000	\$288,500	\$338,500	\$5,540.74	8210
330-501-039	\$26,322	\$204,800	\$231,122	\$4,306.72	8210
330-501-040	\$50,000	\$246,500	\$296,500	\$4,951.80	8210
330-502-001	\$57,913	\$0	\$57,913	\$1,028.86	8210
330-502-002	\$57,913	\$0	\$57,913	\$662.14	8210

330-502-003	\$57,913	\$0	\$57,913	\$662.14	8210
330-502-004	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-502-005	\$57,913	\$0	\$57,913	\$1,028.86	8210
330-502-006	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-502-007	\$57,913	\$0	\$57,913	\$662.14	8210
330-502-008	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-502-009	\$57,913	\$0	\$57,913	\$662.14	8210
330-503-001	\$57,913	\$175,000	\$232,913	\$4,033.04	8210
330-503-002	\$50,000	\$212,000	\$262,000	\$4,343.26	8210
330-503-003	\$57,913	\$175,000	\$232,913	\$4,033.04	8210
330-503-004	\$50,000	\$226,990	\$276,990	\$4,743.72	8210
330-503-005	\$50,000	\$208,459	\$258,459	\$4,305.50	8210
330-503-006	\$50,000	\$266,279	\$316,279	\$5,162.74	8210
330-503-007	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-503-008	\$57,913	\$0	\$57,913	\$2,548.18	8210
330-503-009	\$57,913	\$198,740	\$256,653	\$4,667.82	8210
330-503-010	\$57,913	\$0	\$57,913	\$662.14	8210
330-503-011	\$57,913	\$0	\$57,913	\$662.14	8210
330-503-012	\$57,913	\$0	\$57,913	\$1,028.86	8210
330-503-013	\$57,913	\$0	\$57,913	\$2,407.18	8210
330-503-014	\$57,913	\$0	\$57,913	\$1,028.86	8210
330-503-015	\$57,913	\$0	\$57,913	\$662.14	8210
330-503-016	\$57,913	\$0	\$57,913	\$662.14	8210
330-510-001	\$50,227	\$172,988	\$223,215	\$3,964.32	8210
330-510-002	\$57,913	\$199,080	\$256,993	\$4,428.98	8210
330-510-003	\$50,227	\$195,190	\$245,417	\$4,493.90	8210
330-510-004	\$50,227	\$172,863	\$223,090	\$3,963.00	8210
330-510-005	\$50,227	\$150,223	\$200,450	\$3,721.52	8210
330-510-006	\$50,227	\$202,941	\$253,168	\$4,576.56	8210
330-510-007	\$50,000	\$212,575	\$262,575	\$4,624.70	8210
330-510-008	\$50,227	\$178,305	\$228,532	\$3,946.38	8210
330-511-001	\$50,000	\$200,000	\$250,000	\$4,354.40	8210
330-511-002	\$50,227	\$182,324	\$232,551	\$4,063.90	8210
330-511-003	\$50,227	\$234,560	\$284,787	\$4,913.78	8210
330-511-004	\$50,000	\$208,500	\$258,500	\$4,506.58	8210
330-511-005	\$50,000	\$217,162	\$267,162	\$4,433.04	8210
330-511-006	\$50,227	\$150,581	\$200,808	\$3,650.70	8210
330-511-007	\$50,227	\$162,740	\$212,967	\$3,855.02	8210
330-511-008	\$50,000	\$209,000	\$259,000	\$4,450.38	8210
330-511-009	\$50,227	\$178,958	\$229,185	\$4,028.00	8210
330-511-010	\$50,227	\$222,806	\$273,033	\$4,788.42	8210
330-511-011	\$50,227	\$205,930	\$256,157	\$4,812.38	8210
330-511-012	\$50,227	\$185,116	\$235,343	\$4,093.68	8210
330-511-013	\$50,000	\$194,000	\$244,000	\$4,186.00	8210
330-511-014	\$50,227	\$182,515	\$232,742	\$4,170.34	8210
330-511-015	\$50,227	\$155,743	\$205,970	\$3,780.40	8210
330-511-016	\$50,227	\$153,317	\$203,544	\$3,754.52	8210
330-511-017	\$50,227	\$176,362	\$226,589	\$4,000.30	8210
330-511-018	\$50,227	\$174,357	\$224,584	\$3,978.92	8210

330-511-019	\$50,227	\$165,144	\$215,371	\$3,806.00	8210
330-511-020	\$50,227	\$182,826	\$233,053	\$3,994.60	8210
330-511-021	\$50,227	\$181,015	\$231,242	\$4,049.94	8210
330-511-022	\$50,227	\$182,370	\$232,597	\$4,064.38	8210
330-511-023	\$50,227	\$168,762	\$218,989	\$3,919.26	8210
330-511-024	\$50,227	\$175,292	\$225,519	\$3,988.90	8210
330-511-025	\$50,000	\$219,492	\$269,492	\$4,698.46	8210
330-511-026	\$57,913	\$175,000	\$232,913	\$4,360.54	8210
330-511-027	\$50,000	\$233,500	\$283,500	\$4,840.34	8210
330-511-028	\$50,227	\$171,007	\$221,234	\$3,943.20	8210
330-511-029	\$50,000	\$237,000	\$287,000	\$4,885.20	8210
330-511-030	\$57,913	\$300,000	\$357,913	\$5,782.50	8210
330-511-031	\$50,227	\$219,230	\$269,457	\$4,698.08	8210
330-511-032	\$50,000	\$228,000	\$278,000	\$4,578.36	8210
330-511-033	\$50,227	\$182,826	\$233,053	\$4,069.26	8210
330-511-034	\$50,000	\$210,000	\$260,000	\$4,522.58	8210
330-511-035	\$50,227	\$168,047	\$218,274	\$3,911.62	8210
330-511-036	\$50,227	\$160,243	\$210,470	\$3,828.40	8210
330-511-037	\$50,000	\$236,500	\$286,500	\$4,857.40	8210
330-511-038	\$51,000	\$219,968	\$270,968	\$4,714.20	8210
330-511-039	\$50,227	\$167,436	\$217,663	\$3,905.12	8210
330-511-040	\$50,227	\$195,383	\$245,610	\$4,443.76	8210
330-511-041	\$50,227	\$186,342	\$236,569	\$4,211.14	8210
330-511-042	\$50,227	\$172,458	\$222,685	\$3,958.68	8210
330-511-043	\$50,000	\$216,500	\$266,500	\$4,425.98	8210
330-520-001	\$51,231	\$197,741	\$248,972	\$4,483.36	8210
330-520-002	\$46,000	\$227,000	\$273,000	\$4,495.30	8210
330-520-003	\$50,227	\$177,123	\$227,350	\$4,249.00	8210
330-520-004	\$51,231	\$213,123	\$264,354	\$4,647.40	8210
330-520-005	\$50,227	\$170,269	\$220,496	\$3,875.60	8210
330-520-006	\$51,231	\$193,654	\$244,885	\$4,199.20	8210
330-520-007	\$50,000	\$268,500	\$318,500	\$5,221.14	8210
330-520-008	\$51,231	\$185,969	\$237,200	\$4,117.24	8209
330-520-009	\$51,231	\$156,768	\$207,999	\$3,805.80	8209
330-520-010	\$50,227	\$183,328	\$233,555	\$4,315.18	8209
330-520-011	\$50,227	\$173,785	\$224,012	\$3,972.82	8209
330-520-012	\$50,227	\$157,742	\$207,969	\$3,906.12	8209
330-520-013	\$50,227	\$189,837	\$240,064	\$4,384.60	8209
330-520-014	\$50,227	\$170,760	\$220,987	\$3,865.90	8209
330-521-001	\$51,231	\$145,622	\$196,853	\$3,686.94	8210
330-521-002	\$51,231	\$184,433	\$235,664	\$4,341.48	8210
330-521-003	\$50,227	\$192,369	\$242,596	\$4,096.38	8210
330-521-004	\$50,227	\$227,957	\$278,184	\$4,843.36	8210
330-521-005	\$50,227	\$148,306	\$198,533	\$3,701.08	8210
330-521-006	\$50,227	\$174,287	\$224,514	\$3,978.18	8210
330-521-007	\$50,000	\$210,350	\$260,350	\$4,464.78	8210
330-521-008	\$51,231	\$173,469	\$224,700	\$3,983.90	8210
330-521-009	\$51,231	\$184,433	\$235,664	\$4,341.42	8210
330-521-010	\$50,227	\$164,954	\$215,181	\$4,260.22	8210

330-521-011	\$50,227	\$193,814	\$244,041	\$4,427.02	8210
330-521-012	\$50,227	\$238,015	\$288,242	\$5,039.44	8210
330-521-013	\$50,227	\$147,701	\$197,928	\$3,694.64	8210
330-521-014	\$50,227	\$175,675	\$225,902	\$3,992.98	8210
330-521-015	\$51,231	\$170,180	\$221,411	\$4,189.46	8210
330-521-016	\$50,227	\$172,278	\$222,505	\$3,882.10	8210
330-521-017	\$50,227	\$224,012	\$274,239	\$4,801.30	8210
330-521-018	\$50,000	\$197,000	\$247,000	\$4,218.00	8210
330-521-019	\$50,227	\$165,262	\$215,489	\$3,807.26	8210
330-521-020	\$50,227	\$168,064	\$218,291	\$4,152.38	8210
330-521-021	\$50,227	\$181,248	\$231,475	\$4,293.00	8210
330-521-022	\$50,227	\$167,640	\$217,867	\$3,907.28	8210
330-521-023	\$50,227	\$161,031	\$211,258	\$3,836.80	8210
330-521-024	\$51,231	\$217,220	\$268,451	\$4,832.10	8210
330-521-025	\$50,000	\$185,955	\$235,955	\$4,100.20	8209
330-521-026	\$51,231	\$208,465	\$259,696	\$4,597.72	8209
330-521-027	\$50,227	\$228,030	\$278,257	\$4,936.68	8209
330-521-028	\$51,231	\$235,665	\$286,896	\$5,028.82	8209
330-521-029	\$50,000	\$286,000	\$336,000	\$5,548.80	8209
330-521-030	\$57,913	\$208,000	\$265,913	\$4,712.50	8209
330-521-031	\$57,913	\$209,200	\$267,113	\$4,673.10	8209
330-521-032	\$57,913	\$194,068	\$251,981	\$4,515.44	8209
330-521-033	\$50,000	\$240,000	\$290,000	\$4,680.20	8209
330-521-034	\$50,000	\$196,000	\$246,000	\$4,210.94	8209
330-521-035	\$50,000	\$245,000	\$295,000	\$4,970.52	8209
330-521-036	\$50,227	\$191,364	\$241,591	\$4,160.32	8209
330-521-037	\$50,000	\$185,500	\$235,500	\$4,095.34	8209
330-521-038	\$50,000	\$245,900	\$295,900	\$4,980.12	8209
330-521-039	\$50,000	\$205,000	\$255,000	\$4,243.60	8209
330-521-040	\$50,000	\$216,327	\$266,327	\$4,528.52	8209
330-521-041	\$50,227	\$175,536	\$225,763	\$3,991.50	8209
330-530-001	\$50,227	\$187,346	\$237,573	\$4,358.04	8209
330-530-002	\$50,000	\$219,000	\$269,000	\$4,693.22	8209
330-530-003	\$51,231	\$169,404	\$220,635	\$3,940.54	8209
330-530-004	\$50,227	\$199,892	\$250,119	\$4,491.84	8209
330-530-005	\$51,231	\$174,175	\$225,406	\$3,987.70	8209
330-530-006	\$52,255	\$169,682	\$221,937	\$3,954.44	8209
330-530-007	\$51,231	\$169,528	\$220,759	\$3,941.88	8209
330-530-008	\$51,231	\$201,851	\$253,082	\$4,452.54	8209
330-530-009	\$51,231	\$173,535	\$224,766	\$3,984.60	8209
330-530-010	\$51,231	\$150,381	\$201,612	\$3,733.92	8209
330-530-011	\$51,231	\$163,940	\$215,171	\$3,882.30	8209
330-530-012	\$50,227	\$153,694	\$203,921	\$3,866.70	8209
330-530-013	\$51,231	\$182,896	\$234,127	\$4,325.04	8209
330-530-014	\$51,231	\$206,671	\$257,902	\$4,263.38	8209
330-530-015	\$52,255	\$169,832	\$222,087	\$3,956.14	8209
330-530-016	\$51,231	\$177,260	\$228,491	\$4,020.60	8209
330-530-017	\$51,231	\$176,235	\$227,466	\$4,254.00	8209
330-530-018	\$51,231	\$169,064	\$220,295	\$3,936.96	8209

330-530-019	\$51,231	\$189,222	\$240,453	\$4,151.98	8209
330-530-020	\$52,255	\$146,106	\$198,361	\$3,703.04	8209
330-530-021	\$51,231	\$174,187	\$225,418	\$3,991.64	8209
330-530-022	\$51,231	\$220,295	\$271,526	\$7,472.52	8209
330-530-023	\$50,000	\$240,000	\$290,000	\$4,920.94	8209
330-530-024	\$52,255	\$235,151	\$287,406	\$5,034.30	8209
330-530-025	\$52,255	\$188,121	\$240,376	\$4,391.72	8209
330-530-026	\$52,255	\$182,372	\$234,627	\$4,119.60	8209
330-530-027	\$50,227	\$218,989	\$269,216	\$4,840.28	8209
330-530-028	\$52,255	\$195,437	\$247,692	\$4,610.70	8209
330-540-001	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-002	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-003	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-004	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-005	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-006	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-007	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-008	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-009	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-010	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-011	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-012	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-013	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-014	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-015	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-016	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-017	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-018	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-019	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-020	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-021	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-022	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-023	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-024	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-025	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-026	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-027	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-028	\$19,940	\$0	\$19,940	\$230.60	8210
330-540-029	\$19,940	\$0	\$19,940	\$230.60	8210
330-540-030	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-031	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-032	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-033	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-034	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-035	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-036	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-037	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-038	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-039	\$16,832	\$0	\$16,832	\$197.44	8210

330-540-040	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-041	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-042	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-043	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-044	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-045	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-046	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-047	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-048	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-049	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-050	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-051	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-052	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-053	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-054	\$19,940	\$0	\$19,940	\$230.60	8210
330-540-055	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-056	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-057	\$21,041	\$0	\$21,041	\$242.34	8210
330-540-058	\$22,443	\$0	\$22,443	\$257.30	8210
330-540-059	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-060	\$26,651	\$0	\$26,651	\$302.18	8210
330-540-061	\$33,664	\$0	\$33,664	\$376.96	8210
330-540-062	\$26,651	\$0	\$26,651	\$302.18	8210
330-540-063	\$36,470	\$0	\$36,470	\$406.90	8210
330-540-064	\$19,940	\$0	\$19,940	\$230.60	8210
330-540-065	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-066	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-067	\$19,940	\$0	\$19,940	\$230.60	8210
330-540-068	\$16,832	\$0	\$16,832	\$197.44	8210
330-540-069	\$18,235	\$0	\$18,235	\$212.42	8210
330-540-070	\$36,470	\$0	\$36,470	\$406.90	8210
330-540-071	\$14,263	\$0	\$14,263	\$170.04	8178
330-540-072	\$28,526	\$0	\$28,526	\$322.16	8178
330-540-073	\$21,395	\$0	\$21,395	\$246.12	8178
330-540-074	\$29,545	\$0	\$29,545	\$333.04	8178
330-540-075	\$17,320	\$0	\$17,320	\$202.66	8178
330-540-076	\$18,338	\$0	\$18,338	\$213.52	8178
330-540-077	\$25,470	\$0	\$25,470	\$289.58	8178
330-540-078	\$18,338	\$0	\$18,338	\$213.52	8178
330-540-079	\$25,470	\$0	\$25,470	\$289.58	8178
330-540-080	\$18,338	\$0	\$18,338	\$213.52	8178
330-540-081	\$19,656	\$0	\$19,656	\$227.56	8178
330-540-082	\$25,470	\$0	\$25,470	\$289.58	8178
330-540-083	\$19,656	\$0	\$19,656	\$227.56	8178
330-540-084	\$12,225	\$0	\$12,225	\$148.32	8178
330-540-085	\$17,320	\$0	\$17,320	\$202.66	8178
330-541-001	\$18,235	\$0	\$18,235	\$212.42	8210
330-541-002	\$18,235	\$0	\$18,235	\$212.42	8210
330-541-003	\$19,940	\$0	\$19,940	\$230.60	8210



330-541-004	\$18,235	\$0	\$18,235	\$212.42	8210
330-541-005	\$18,235	\$0	\$18,235	\$212.42	8210
330-541-006	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-007	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-008	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-009	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-010	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-011	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-012	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-013	\$16,832	\$0	\$16,832	\$197.44	8210
330-541-014	\$19,940	\$0	\$19,940	\$230.60	8210
330-550-001	\$18,235	\$187,120	\$205,355	\$3,918.84	8210
330-550-002	\$18,235	\$0	\$18,235	\$2,113.46	8210
330-550-003	\$18,235	\$0	\$18,235	\$1,920.24	8210
330-550-004	\$18,235	\$52,927	\$71,162	\$2,680.86	8210
330-550-005	\$18,235	\$0	\$18,235	\$1,920.24	8210
330-550-006	\$18,235	\$0	\$18,235	\$2,113.46	8210
330-550-007	\$18,235	\$0	\$18,235	\$1,920.24	8210
330-550-008	\$21,041	\$0	\$21,041	\$2,002.38	8210
330-550-009	\$33,664	\$52,927	\$86,591	\$2,846.24	8210
330-550-010	\$29,457	\$0	\$29,457	\$2,233.14	8210
330-550-011	\$16,002	\$0	\$16,002	\$1,948.64	8210
330-550-012	\$15,429	\$0	\$15,429	\$2,083.52	8210
330-550-013	\$15,429	\$0	\$15,429	\$1,942.52	8210
330-550-014	\$15,429	\$0	\$15,429	\$2,068.52	8210
330-550-015	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-016	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-017	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-018	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-019	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-020	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-021	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-022	\$15,429	\$0	\$15,429	\$182.48	8210
330-550-026	\$17,320	\$0	\$17,320	\$217.66	8178
330-550-027	\$13,245	\$174,120	\$187,365	\$3,726.98	8178
330-550-028	\$13,245	\$188,400	\$201,645	\$3,931.50	8178
330-550-029	\$13,245	\$221,589	\$234,834	\$4,426.46	8178
330-550-030	\$15,282	\$0	\$15,282	\$195.92	8178
330-550-031	\$16,301	\$0	\$16,301	\$206.78	8178
330-550-032	\$19,358	\$0	\$19,358	\$239.38	8178
330-550-033	\$21,395	\$222,377	\$243,772	\$4,522.64	8178
330-550-034	\$18,338	\$221,589	\$239,927	\$4,481.60	8178
330-550-035	\$50,000	\$219,997	\$269,997	\$4,609.08	8178
330-551-001	\$19,940	\$0	\$19,940	\$230.60	8210
330-551-002	\$16,832	\$0	\$16,832	\$197.44	8210
330-551-003	\$18,235	\$0	\$18,235	\$579.14	8210
330-551-004	\$19,940	\$0	\$19,940	\$230.60	8210
330-551-005	\$18,235	\$0	\$18,235	\$212.42	8210
330-551-006	\$18,235	\$0	\$18,235	\$212.42	8210



330-551-007	\$18,235	\$0	\$18,235	\$212.42	8210
330-551-008	\$18,235	\$0	\$18,235	\$212.42	8210
330-552-001	\$23,846	\$0	\$23,846	\$272.26	8210
330-552-002	\$21,041	\$0	\$21,041	\$242.34	8210
330-552-003	\$22,443	\$0	\$22,443	\$257.30	8210
330-552-004	\$22,443	\$0	\$22,443	\$257.30	8210
330-552-005	\$21,041	\$0	\$21,041	\$242.34	8210
330-552-006	\$19,637	\$0	\$19,637	\$227.36	8210
330-552-007	\$18,235	\$0	\$18,235	\$1,905.24	8210
330-552-008	\$16,832	\$0	\$16,832	\$564.16	8210
330-552-009	\$19,940	\$0	\$19,940	\$230.60	8210
330-552-010	\$19,940	\$0	\$19,940	\$2,131.64	8210
330-552-011	\$16,832	\$0	\$16,832	\$1,957.48	8210
330-552-012	\$16,832	\$0	\$16,832	\$2,098.48	8210
330-552-013	\$16,832	\$0	\$16,832	\$1,957.48	8210
330-552-014	\$16,832	\$0	\$16,832	\$212.44	8210
330-552-015	\$16,832	\$0	\$16,832	\$1,957.48	8210
330-552-016	\$18,235	\$0	\$18,235	\$594.14	8210
330-552-017	\$19,940	\$0	\$19,940	\$1,938.42	8210
330-552-018	\$36,470	\$0	\$36,470	\$2,114.72	8210
330-552-019	\$35,068	\$0	\$35,068	\$773.66	8210
330-552-020	\$46,289	\$0	\$46,289	\$2,219.44	8210
330-552-021	\$43,484	\$0	\$43,484	\$863.42	8210
330-552-022	\$39,276	\$0	\$39,276	\$2,144.64	8210
330-552-023	\$19,940	\$0	\$19,940	\$1,990.64	8210
330-552-024	\$22,443	\$0	\$22,443	\$1,965.12	8210
330-552-025	\$21,041	\$0	\$21,041	\$257.34	8210
330-552-026	\$21,041	\$0	\$21,041	\$1,866.20	8210
330-552-027	\$19,940	\$0	\$19,940	\$245.60	8210
330-552-028	\$18,235	\$0	\$18,235	\$1,836.28	8210
330-552-029	\$18,235	\$0	\$18,235	\$1,920.24	8210
330-552-030	\$21,041	\$0	\$21,041	\$2,002.38	8210
330-552-031	\$28,054	\$221,589	\$249,643	\$4,392.02	8210
330-552-032	\$19,940	\$0	\$19,940	\$1,854.46	8210
330-552-033	\$19,637	\$0	\$19,637	\$2,128.40	8210
330-552-034	\$19,637	\$0	\$19,637	\$1,935.18	8210
330-552-035	\$21,041	\$0	\$21,041	\$1,950.16	8210
330-552-036	\$21,041	\$221,589	\$242,630	\$4,510.06	8210
330-552-037	\$21,041	\$65,984	\$87,025	\$2,709.48	8210
330-552-038	\$50,000	\$222,000	\$272,000	\$4,630.32	8210
330-552-039	\$50,000	\$194,000	\$244,000	\$4,247.86	8210
330-552-040	\$22,443	\$0	\$22,443	\$272.30	8210
330-552-041	\$21,041	\$0	\$21,041	\$257.34	8210
330-552-042	\$16,832	\$0	\$16,832	\$212.44	8210
330-552-043	\$16,832	\$0	\$16,832	\$212.44	8210
330-552-044	\$16,832	\$0	\$16,832	\$212.44	8210
330-552-045	<u>\$21,041</u>	<u>\$0</u>	<u>\$21,041</u>	<u>\$257.34</u>	8210
	\$13,683,526	\$38,310,848	\$51,994,374	\$966,885.28	

386 Total

**SUMMARY OF SOLD DWELLINGS (1/15/2015)**

Draft

City of Perris CFD No. 2006-2 Monument Park Estates

Dwelling Unit Sales through January 15, 2015

APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-530-026	31926	40	3491 Tallgrass Ct	Elizabeth R & Falon L Paraso	1,992	\$224,500	\$112.70	11/22/2010	561522	15,682	2008
330-530-024	31926	38	3496 Tallgrass Ct	David K Ho	3,014	\$275,000	\$91.24	11/30/2010	572572	12,632	2008
330-530-028	31926	42	3475 Tallgrass Ct	Roel H & Yonia Y Elizondo	2,608	\$237,000	\$90.87	2/28/2011	91277	7,841	2008
330-530-015	31926	29	333 Yosemite Ave	Alejandro Chavez	1,553	\$212,500	\$136.83	6/1/2011	239540	18,295	2011
330-530-006	31926	20	308 Yosemite Ave	Barry M & Sheri Fink	1,553	\$212,500	\$136.83	6/10/2011	258712	8,276	2011
330-530-013	31926	27	336 Yosemite Ave	James D & Gina C Richard	2,216	\$228,500	\$103.11	7/15/2011	312300	9,583	2011
330-530-009	31926	23	320 Yosemite Ave	Edward Molina	1,553	\$219,500	\$141.34	7/26/2011	326148	8,276	2011
330-530-014	31926	28	340 Yosemite Ave	Frank S & Glenda L Williams	1,763	\$242,500	\$137.55	7/27/2011	327845	8,712	2011
330-530-019	31926	33	317 Yosemite Ave	Abel Castro	1,763	\$235,000	\$133.30	7/29/2011	333567	13,068	2011
330-530-008	31926	22	316 Yosemite Ave	Jesus A & Aidee Uribe	2,216	\$247,000	\$111.46	8/26/2011	380094	8,712	2011
330-520-009	31926	9	264 Yosemite Ave	Gilbert Contreras	1,553	\$203,000	\$130.71	8/31/2011	387378	8,712	2011
330-521-008	31926	67	3439 White Sand Ct	Gustavo Roldan	1,553	\$215,000	\$138.44	9/12/2011	404006	7,841	2011
330-530-003	31926	17	296 Yosemite Ave	Marsha Lynn Townsend	1,553	\$215,500	\$138.76	9/30/2011	435455	8,276	2011
330-530-021	31926	35	311 Yosemite Ave	Emily Margaret Jaime	1,763	\$220,000	\$124.79	10/3/2011	436921	15,682	2011
330-530-007	31926	21	312 Yosemite Ave	Paul A Barker	1,763	\$216,000	\$122.52	10/24/2011	465761	8,276	2011
330-520-006	31926	6	252 Yosemite Ave	Lordito A Cruz	1,763	\$239,000	\$135.56	11/1/2011	483331	8,712	2011
330-530-018	31926	32	321 Yosemite Ave	Jose Martin & Sandra Veronica Ulloa	1,553	\$215,000	\$138.44	11/1/2011	483009	10,890	2011
330-520-008	31926	8	260 Yosemite Ave	Rudy & Ramona Rivas	1,763	\$231,500	\$131.31	11/23/2011	522139	10,019	2011
330-521-009	31926	68	3434 Potomac Ct	Jose D & Felicia D Estrada	2,373	\$230,000	\$96.92	11/28/2011	524271	8,276	2011
330-530-017	31926	31	325 Yosemite Ave	Daniel Martinez	2,216	\$222,000	\$100.18	12/6/2011	539091	10,019	2011
330-521-002	31926	61	3487 White Sand Ct	Gurpreet Shergill	2,216	\$230,000	\$103.79	12/15/2011	554351	14,810	2011
330-530-011	31926	25	328 Yosemite Ave	James William Tarango	1,553	\$210,000	\$135.22	12/20/2011	563430	9,148	2011
		<b>22</b>			<b>1,902</b>	<b>\$226,409</b>	<b>\$119.01</b>				
330-521-026	31926	44	3470 Yellowstone Ct	Michael J Madden	2,383	\$250,500	\$105.12	1/19/2012	23601	7,405	2011
330-530-010	31926	24	324 Yosemite Ave	Daniel A Lopez	1,874	\$197,000	\$105.12	2/29/2012	88507	8,276	2011
330-521-001	31926	60	3495 White Sand Ct	Richard A Laviolette	1,250	\$192,500	\$154.00	2/29/2012	90470	12,197	2011
330-520-004	31926	4	244 Yosemite Ave	Guillermo & Elizabeth Y Lopez	2,373	\$258,000	\$108.72	3/1/2012	91387	7,841	2011
330-530-016	31926	30	329 Yosemite Ave	Richard Milthton	1,763	\$223,000	\$126.49	3/1/2012	93798	18,295	2011
330-521-024	31926	83	3429 Potomac Ct	Suchart N & Trish N Soriano	2,604	\$262,000	\$100.61	3/1/2012	91561	7,841	2011
330-520-002	31926	2	236 Yosemite Ave	Jovito P & Donna M Cuesta Joves	1,763	\$245,000	\$138.97	3/30/2012	149479	8,276	2012
330-521-028	31926	46	3486 Yellowstone Ct	Tagg Robert & Tami Mariann Butler	3,093	\$280,000	\$90.53	3/30/2012	148729	7,841	2011
330-520-001	31926	1	232 Yosemite Ave	Gordon & Monique Johanna Jackson	2,373	\$243,000	\$102.40	4/26/2012	190371	8,276	2011
330-530-022	31926	36	3480 Tallgrass Ct	Marcos T & Reyna Romero	3,088	\$265,000	\$85.82	6/14/2012	276055	8,712	2011
330-530-005	31926	19	304 Yosemite Ave	Keith U & Maria J Brown	1,553	\$220,000	\$141.66	6/26/2012	296174	8,712	2011
330-520-013	31926	13	280 Yosemite Ave	Raymundo G & Jeanette C Vinluan	2,216	\$239,000	\$107.85	7/27/2012	354729	8,276	2012
330-520-005	31926	5	248 Yosemite Ave	Tiangson Family Trust	1,553	\$219,500	\$141.34	8/1/2012	363758	7,841	2012
330-530-027	31926	41	3483 Tallgrass Ct	Carlos Gutierrez Marroquin	3,088	\$268,000	\$86.79	8/8/2012	377006	8,712	2011
330-521-036	31926	54	3452 White Sand Ct	Gregory Rollin Koon	2,373	\$240,500	\$101.35	8/16/2012	392209	7,841	2012
330-530-012	31926	26	332 Yosemite Ave	Cyrus Libajan	1,874	\$203,000	\$108.32	8/22/2012	401271	9,148	2011
330-521-017	31926	76	3485 Potomac Ct	Esperanza Mora Debank	2,555	\$273,000	\$106.85	8/29/2012	410977	14,375	2012
330-521-006	31926	65	3455 White Sand Ct	Jose L Garcia	1,763	\$223,500	\$126.77	9/5/2012	423121	6,970	2011
330-521-011	31926	70	3450 Potomac Ct	Juan & Cynthia Soriano	2,373	\$243,000	\$102.40	10/12/2012	488203	8,276	2012

APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-521-010	31926	69	3442 Potomac Ct	Claudia Osuna	1,553	\$214,500	\$138.12	10/23/2012	507771	8,276	2012
330-510-006	31926-2	58	220 Yosemite Ave	Howard & Ramona M Wilkins	2,555	\$252,500	\$98.83	10/29/2012	517448	7,841	2012
330-521-041	31926	59	3492 White Sand Ct	Mary A Reynolds	1,763	\$225,000	\$127.62	11/1/2012	525286	11,761	2012
330-521-021	31926	80	3453 Potomac Ct	Albert Rico	1,874	\$230,500	\$123.00	11/15/2012	552456	7,841	2012
330-510-004	31926-2	56	212 Yosemite Ave	Rebecca B Arriaga	1,763	\$222,500	\$126.21	11/16/2012	556772	7,841	2012
330-520-010	31926	10	268 Yosemite Ave	Sarah B Nicole Alguire	1,874	\$232,500	\$124.07	11/21/2012	562848	8,712	2012
330-521-016	31926	75	3493 Potomac Ct	Dennis J & Mary L Cooke	1,763	\$248,772	\$141.11	11/21/2012	565424	11,761	2012
330-530-004	31926	18	300 Yosemite Ave	Genaro Antonio Quezada	2,216	\$249,000	\$112.36	11/30/2012	579309	8,712	2012
330-511-015	31926-2	75	3451 Bryce Canyon Way	Jorge Alberto Herrera	1,763	\$205,500	\$116.56	12/27/2012	633114	7,405	2012
330-520-014	31926	14	284 Yosemite Ave	Roy L Allen	1,763	\$220,000	\$124.79	12/28/2012	635642	8,712	2012
330-521-013	31926	72	3466 Potomac Ct	Cristina N Sandoval	1,553	\$197,500	\$127.17	12/28/2012	635703	8,276	2012
330-521-020	31926	79	3467 Potomac Ct	William A Patino	2,216	\$217,500	\$98.15	12/28/2012	635881	7,841	2012
330-521-023	31926	82	3437 Potomac Ct	Everett Drew & Shannon S Smith	1,763	\$210,500	\$119.40	12/28/2012	635738	7,405	2012
330-520-003	31926	3	240 Yosemite Ave	Majd & Samar Bakir	1,874	\$226,500	\$120.86	12/31/2012	638327	7,841	2012
		<b>33</b>			<b>2,067</b>	<b>\$233,281</b>	<b>\$112.87</b>				
330-510-001	31926-2	53	200 Yosemite Ave	Heriberto Aguirre	1,763	\$222,500	\$126.21	1/2/2013	1432	7,405	2012
330-521-022	31926	81	3445 Potomac Ct	Emanuel Aparicio	1,553	\$217,000	\$139.73	1/8/2013	12001	7,405	2012
330-521-027	31926	45	3478 Yellowstone Ct	Maria Kristina Granada	2,619	\$277,000	\$105.77	1/17/2013	28731	7,405	2011
330-510-008	31926-2	60	228 Yosemite Ave	Reynaldo B & Marilyn S Lanot	1,763	\$227,500	\$129.04	1/17/2013	27016	8,276	2012
330-511-014	31926-2	74	3459 Bryce Canyon Way	Robert & Jodi Baird	1,874	\$232,000	\$123.80	1/25/2013	40697	7,405	2012
330-511-006	31926-2	66	3462 Bryce Canyon Way	Alberto Lagunas	1,553	\$200,000	\$128.78	1/30/2013	52574	7,841	2012
330-520-012	31926	12	276 Yosemite Ave	Jose Maya	2,555	\$207,500	\$81.21	2/1/2013	56514	8,712	2012
330-521-019	31926	78	3469 Potomac Ct	Joseph Cisco	1,763	\$215,000	\$121.95	2/1/2013	56523	7,841	2012
330-511-019	31926-2	79	3419 Bryce Canyon Way	Alfred & Colleen M Alva	1,763	\$214,500	\$121.67	2/7/2013	68783	7,405	2012
330-510-003	31926-2	55	208 Yosemite Ave	Vicente & Carmen Bautista	2,555	\$244,482	\$95.69	2/14/2013	76939	7,405	2012
330-511-007	31926-2	67	3470 Bryce Canyon Way	Ty Thi Le	1,763	\$212,500	\$120.53	2/19/2013	83726	6,970	2012
330-521-012	31926	71	3458 Potomac Ct	Jose & Carolina Montes	3,088	\$287,000	\$92.94	2/21/2013	88617	8,276	2012
330-511-009	31926-2	69	3486 Bryce Canyon Way	Luz Andres Gonzalez	1,763	\$228,500	\$129.61	2/28/2013	101473	11,761	2012
330-511-016	31926-2	76	3443 Bryce Canyon Way	Richard A Guilkey	1,553	\$203,000	\$130.71	2/28/2013	99151	7,841	2012
330-511-042	31926-2	102	3407 Joshua Tree Ct	Jeremy R Contreras	1,763	\$222,000	\$125.92	2/28/2013	101221	7,405	2013
330-511-012	31926-2	72	3475 Bryce Canyon Way	Rafael & Jeremy Conrad Macias	1,763	\$234,500	\$133.01	3/7/2013	114709	7,405	2012
330-520-011	31926	11	272 Yosemite Ave	Edward L & Marianita M Tozier	1,763	\$223,000	\$126.49	3/12/2013	119121	8,712	2012
330-511-011	31926-2	71	3483 Bryce Canyon Way	Socorro Gomez	2,216	\$255,000	\$115.07	3/15/2013	128342	11,761	2013
330-511-017	31926-2	77	3435 Bryce Canyon Way	Antonio Jesus Castillo	1,763	\$226,000	\$128.19	3/15/2013	128315	7,841	2013
330-521-014	31926	73	3474 Potomac Ct	Kristine M Coulter	1,763	\$225,000	\$127.62	3/20/2013	133301	7,405	2012
330-510-005	31926-2	57	216 Yosemite Ave	Takeshia R Mclaurin	1,553	\$200,000	\$128.78	3/25/2013	140499	7,841	2012
330-511-028	31926-2	88	3452 Joshua Tree Ct	Gene J & Elin Saldana	1,763	\$220,500	\$125.07	4/1/2013	153309	6,970	2012
330-521-004	31926	63	3471 White Sand Ct	Richard & Olivia Rivera	1,763	\$277,000	\$157.12	4/15/2013	177451	7,841	2013
330-511-039	31926-2	99	3431 Joshua Tree Ct	Rosalind James	1,763	\$217,000	\$123.09	4/16/2013	177874	6,970	2013
330-511-035	31926-2	95	3463 Joshua Tree Ct	Osmin E Gonzalez	1,553	\$217,500	\$140.05	4/17/2013	181938	7,405	2013
330-511-018	31926-2	78	3427 Bryce Canyon Way	Andres E Yee Chun	1,553	\$224,000	\$144.24	4/24/2013	193950	7,405	2013
330-511-022	31926-2	82	3404 Joshua Tree Ct	Jonathan Henry Kagimoto	1,553	\$232,000	\$149.39	4/25/2013	196309	7,841	2013
330-511-021	31926-2	81	3396 Joshua Tree Ct	Christy Caruthers	1,763	\$230,500	\$130.74	4/29/2013	201324	8,276	2013
330-511-031	31926-2	91	3484 Joshua Tree Ct	Larry & Nytasha Thomas	2,216	\$268,500	\$121.16	4/29/2013	201413	14,810	2013
330-511-010	31926-2	70	3491 Bryce Canyon Way	Angel V Rivera	2,555	\$272,000	\$106.46	4/30/2013	201677	14,810	2013

APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-511-023	31926-2	83	3412 Joshua Tree Ct	David Nicolas & Luz Margot Quintero	1,763	\$218,000	\$123.65	4/30/2013	203702	8,276	2013
330-521-003	31926	62	3479 White Sand Ct	Dysamao & Mary Kathryn Ok	1,763	\$240,909	\$136.65	5/3/2013	211760	7,405	2013
330-511-020	31926-2	80	3411 Bryce Canyon Way	Charles T Albert	1,553	\$232,000	\$149.39	5/3/2013	211602	7,841	2013
330-511-036	31926-2	96	3455 Joshua Tree Ct	Denny Johannes & Arlene Smith	1,763	\$210,000	\$119.12	5/3/2013	211942	6,970	2013
330-511-033	31926-2	93	3479 Joshua Tree Ct	Cameron B Gillmore	1,763	\$232,000	\$131.59	5/6/2013	213541	10,890	2013
330-511-024	31926-2	84	3420 Joshua Tree Ct	Jesus Raygoza	1,553	\$224,500	\$144.56	5/10/2013	223471	9,148	2013
330-511-040	31926-2	100	3423 Joshua Tree Ct	Wise Tracy Allen	2,216	\$244,500	\$110.33	5/22/2013	243598	7,841	2013
330-511-041	31926-2	101	3415 Joshua Tree Ct	Dance Boyd	1,874	\$235,500	\$125.67	5/28/2013	251688	7,405	2013
330-511-002	31926-2	62	3430 Bryce Canyon Way	Alicia Sanchez Hurtado	1,553	\$231,500	\$149.07	5/31/2013	260370	7,405	2013
330-511-003	31926-2	63	3438 Bryce Canyon Way	Efrain Sanchez	2,555	\$283,500	\$110.96	6/11/2013	278245	7,841	2013
330-511-038	31926-2	98	3439 Joshua Tree Ct	Leonard William & Susan Patricia Bostock	2,216	\$276,500	\$124.77	6/21/2013	298710	7,841	2013
330-510-007	31926-2	59	224 Yosemite Ave	Pedro Jimenez	1,763	\$263,000	\$149.18	7/12/2013	337290	11,326	2013
330-511-004	31926-2	64	3446 Bryce Canyon Way	Phu Pham	2,216	\$258,500	\$116.65	7/17/2013	345087	8,712	2013
330-511-032	31926-2	92	3487 Joshua Tree Ct	Shaunette Miller	1,874	\$278,000	\$148.35	7/24/2013	356732	14,810	2013
330-511-025	31926-2	85	3428 Joshua Tree Ct	Felix & Cintya Yadira Osorio	2,388	\$268,500	\$112.44	7/25/2013	359897	9,148	2012
330-511-037	31926-2	97	3447 Joshua Tree Ct	Jose H & Alicia Lemus	2,555	\$286,500	\$112.13	7/29/2013	364488	7,841	2013
330-521-025	31926	43	3462 Yellowstone Ct	Sonia Villasenor	1,553	\$236,000	\$151.96	7/31/2013	370966	7,405	2013
330-521-037	31926	55	3460 White Sand Ct	Joseph C & King May C Chi	1,553	\$236,000	\$151.96	7/31/2013	370214	7,405	2013
330-511-005	31926-2	65	3454 Bryce Canyon Way	Jose Luis & Maria S Lievanos	1,763	\$267,500	\$151.73	8/1/2013	375317	8,276	2013
330-530-002	31926	16	292 Yosemite Ave	Rodrigo Santana	2,216	\$269,000	\$121.39	8/5/2013	378431	10,454	2011
330-521-007	31926	66	3447 White Sand Ct	Elizabeth Castro	1,874	\$260,455	\$138.98	8/19/2013	404675	6,970	2013
330-511-027	31926-2	87	3444 Joshua Tree Ct	Brent D Evans	2,555	\$283,500	\$110.96	8/19/2013	404670	7,405	2013
330-521-040	31926	58	3484 White Sand Ct	Jessica S Pacheco	1,874	\$266,500	\$142.21	8/22/2013	412896	6,970	2013
330-521-038	31926	56	3468 White Sand Ct	Timothy Vincent Fryson	2,608	\$296,000	\$113.50	8/28/2013	422807	7,405	2013
330-521-033	31926	51	3473 Yellowstone Ct	Vincent Mejia	1,773	\$290,000	\$163.56	8/29/2013	424548	6,970	2011
330-521-034	31926	52	3465 Yellowstone Ct	Holly C Halvatgis	1,551	\$246,000	\$158.61	8/30/2013	428227	6,970	2010
330-503-004	31926-2	107	3418 Presidio Ln	Nicholas H Weg	2,216	\$277,000	\$125.00	8/30/2013	427924	8,276	2013
330-503-005	31926-2	108	3426 Presidio Ln	Stewart A Blaisdell	1,553	\$258,500	\$166.45	8/30/2013	427880	7,405	2013
330-511-043	31926-2	103	3399 Joshua Tree Ct	Randall A & Ruth Einth Ogata	1,553	\$266,500	\$171.60	9/19/2013	455977	7,841	2013
330-503-002	31926-2	105	3402 Presidio Ln	David Salazar	1,553	\$262,000	\$168.71	9/25/2013	463915	8,276	2013
330-511-034	31926-2	94	3471 Joshua Tree Ct	Ruben & Maria Elena Gallegos	2,216	\$260,000	\$117.33	9/30/2013	470243	7,841	2013
330-511-029	31926-2	89	3460 Joshua Tree Ct	Paul R Salas	2,216	\$287,000	\$129.51	10/3/2013	479083	7,405	2013
330-503-006	31926-2	109	3434 Presidio Ln	Nguyen Thi Ngoc Hanh	2,216	\$316,500	\$142.82	10/8/2013	483891	8,276	2013
330-530-023	31926	37	3488 Tallgrass Ct	Hank G & Teresa Henry	2,256	\$290,000	\$128.55	10/11/2013	489329	8,712	2008
330-521-039	31926	57	3476 White Sand Ct	Iliam A Cisneros	1,763	\$255,000	\$144.64	10/24/2013	507614	7,405	2013
330-511-008	31926-2	68	3478 Bryce Canyon Way	Miguel A Sanchez	1,874	\$259,000	\$138.21	10/28/2013	511030	7,405	2013
330-511-001	31926-2	61	3422 Bryce Canyon Way	Harinder Heera	1,874	\$250,000	\$133.40	11/7/2013	531062	7,841	2013
330-511-013	31926-2	73	3467 Bryce Canyon Way	Edward C & Gloria J Chancholo	1,553	\$244,000	\$157.12	11/14/2013	540838	7,405	2013
330-501-008	31926-2	11	3461 Presidio Ln	Alvaro Zermeno Perez	3,085	\$360,000	\$116.69	11/15/2013	542682	8,276	2013
330-501-031	31926-2	34	3437 Sequoia Ct	Russell M & Christina M Clay	2,608	\$340,500	\$130.56	11/21/2013	551069	7,405	2013
330-550-035	36343	95	3319 Appalachian Dr	Pacifico S & Lydia L Jose	2,134	\$275,000	\$128.87	11/22/2013	551700	7,405	2013
330-501-021	31926-2	24	3410 Sequoia Ct	Sarla & Sunit Pal Singh Sajwan	2,783	\$342,000	\$122.89	11/22/2013	552235	8,712	2013
330-501-022	31926-2	25	3418 Sequoia Ct	Javier M Silva	2,608	\$290,500	\$111.39	11/22/2013	551626	8,276	2013
330-501-038	31926-2	41	3381 Sequoia Ct	Jason E & Alecia A Roman	2,783	\$338,500	\$121.63	11/22/2013	552812	8,276	2013
330-521-035	31926	53	3457 Yellowstone Ct	Eva G Lopez	2,608	\$295,000	\$113.11	11/25/2013	554805	7,841	2013
330-501-020	31926-2	23	3402 Sequoia Ct	Nataly Rocha	2,608	\$301,500	\$115.61	11/25/2013	555054	7,841	2013



APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-501-024	31926-2	27	3434 Sequoia Ct	Miranda Marty Garcia	2,388	\$310,500	\$130.03	11/25/2013	555147	7,405	2013
330-501-030	31926-2	33	3445 Sequoia Ct	Derrick & Lavinia Fitzpatrick	2,783	\$349,000	\$125.40	11/25/2013	555328	8,712	2013
330-501-034	31926-2	37	3413 Sequoia Ct	Martin & Adriana Perez	2,608	\$302,500	\$115.99	11/25/2013	553336	8,712	2013
330-501-035	31926-2	38	3405 Sequoia Ct	Joi P Young	2,783	\$347,000	\$124.69	11/25/2013	555232	8,712	2013
330-521-018	31926	77	3477 Potomac Ct	Vernon B & Angelique A Smalley	1,553	\$247,000	\$159.05	11/27/2013	559482	7,841	2012
330-501-023	31926-2	26	3426 Sequoia Ct	Janna C Sison	2,783	\$328,000	\$117.86	11/27/2013	558524	7,841	2013
330-501-040	31926-2	43	3365 Sequoia Ct	Peggy Jean Houston	2,608	\$296,500	\$113.69	11/27/2013	558723	7,841	2013
330-501-025	31926-2	28	3442 Sequoia Ct	Jose L Ramirez	2,783	\$328,500	\$118.04	12/2/2013	560256	7,405	2013
330-520-007	31926	7	256 Yosemite Ave	Eric Crittenden	2,216	\$318,500	\$143.73	12/10/2013	573610	7,841	2012
330-552-039	36343	178	3332 Appalachian Dr	Gretchen Inv	1,848	\$244,000	\$132.03	12/16/2013		7,405	2013
330-521-029	31926	47	3494 Yellowstone Ct	Jose C & Monica Gutierrez	2,783	\$336,000	\$120.73	12/17/2013	582465	14,810	2013
330-552-038	36343	177	3310 Appalachian Dr	Gonzalo Mata	2,134	\$272,000	\$127.46	12/18/2013	586424	6,970	2013
		<b>88</b>			<b>2,057</b>	<b>\$261,538</b>	<b>\$127.15</b>				
330-511-026	31926-2	86	3436 Joshua Tree Ct	Nora G Baltazar	1,763	\$239,000	\$135.56	1/13/2014	12962	8,276	2013
330-501-036	31926-2	39	3397 Sequoia Ct	Edgar A Perez-mondragon	2,608	\$294,500	\$112.92	1/24/2014	29779	8,712	2013
330-511-030	31926-2	90	3468 Joshua Tree Ct	Montero Nelson Trust	3,085	\$330,000	\$106.97	1/24/2014	29756	9,148	2013
330-501-013	31926-2	16	3421 Presidio Ln	Shirley S & Jacob M Chacon	2,783	\$310,500	\$111.57	1/30/2014	41771	8,712	2013
330-501-027	31926-2	30	3458 Sequoia Ct	Yvette Reeves	2,783	\$332,000	\$119.30	1/30/2014	41564	12,197	2013
330-521-031	31926	49	3489 Yellowstone Ct	Kelly M & Susan C Kerr	2,608	\$312,000	\$119.63	1/31/2014	44275	13,068	2013
330-550-002	36343	97	3303 Appalachian Dr	David Jones	2,639	\$288,500	\$109.32	1/31/2014	44761	5,663	
330-552-036	36343	175	3298 Appalachian Dr	Blanca Mendez & Gerardo Campa	2,639	\$278,500	\$105.53	2/10/2014	55377	6,534	2013
330-501-009	31926-2	12	3453 Presidio Ln	Barbara L Bitar	2,628	\$298,500	\$113.58	2/10/2014	55298	7,841	2013
330-552-037	36343	176	3306 Appalachian Dr	Daniel & Kimberly Fortune	2,376	\$278,500	\$117.21	2/11/2014	56590	6,534	2013
330-550-009	36343	104	3269 Appalachian Dr	Angela Ochoa	2,639	\$314,000	\$118.98	2/26/2014	73808	10,454	2013
330-501-012	31926-2	15	3429 Presidio Ln	Joseph A & Lisa J Araiza	2,388	\$305,000	\$127.72	2/26/2014	74354	8,712	2013
330-501-028	31926-2	31	3461 Sequoia Ct	Julianna F & Sean M Browning	2,604	\$320,000	\$122.89	2/27/2014	76319	16,117	2013
330-550-004	36343	99	3289 Appalachian Dr	Violet Salazar & Gilberto Corona	2,639	\$305,500	\$115.76	2/28/2014	78581	5,663	2013
330-501-015	31926-2	18	3405 Presidio Ln	Barbara S Argier	2,388	\$295,000	\$123.53	2/28/2014	78198	8,712	2013
330-501-033	31926-2	36	3421 Sequoia Ct	Daniel K Lollis	3,085	\$341,000	\$110.53	3/10/2014	88555	8,276	2013
330-501-014	31926-2	17	3413 Presidio Ln	Gregory & Charlitha J Dotson	2,604	\$311,000	\$119.43	3/17/2014	98176	8,712	2013
330-510-002	31926-2	54	204 Yosemite Ave	Cesar H Salazar	1,874	\$253,000	\$135.01	3/20/2014	103428	7,405	2012
330-550-034	36343	94	3327 Appalachian Dr	Leonardo Reynaga	2,639	\$287,500	\$108.94	3/21/2014	105664	7,841	2013
330-503-003	31926-2	106	3410 Presidio Ln	Jessie & Cinthia L Gutierrez	1,763	\$269,000	\$152.58	3/27/2014	113204	8,712	2013
330-501-019	31926-2	22	3394 Sequoia Ct	Carlos E Pantoja	2,783	\$323,500	\$116.24	4/4/2014	124422	7,405	2013
330-521-030	31926	48	3497 Yellowstone Ct	Rolando Tovar	2,604	\$328,000	\$125.96	4/9/2014	129874	13,504	2013
330-550-011	36343	106	116 Yosemite Ave	Loren Ortiz & Angelique Suarez	2,376	\$282,000	\$118.69	4/10/2014	131965	5,227	
330-550-003	36343	98	3295 Appalachian Dr	Trent Broadbent	2,639	\$272,500	\$103.26	4/11/2014	133585	5,663	
330-550-005	36343	100	3285 Appalachian Dr	Karl & Lydia Alonzo	2,134	\$282,000	\$132.15	4/11/2014	133321	5,663	
330-550-001	36343	96	3311 Appalachian Dr	Daniel Reyes	1,848	\$257,500	\$139.34	4/23/2014	148463	5,663	2014
330-501-016	31926-2	19	3397 Presidio Ln	Shawn P Hanley	3,085	\$330,000	\$106.97	4/23/2014	147988	8,276	2013
330-501-017	31926-2	20	3389 Presidio Ln	Gregory B & Manikhone Cruz	2,388	\$300,000	\$125.63	4/23/2014	148308	7,841	2013
330-550-013	36343	108	124 Yosemite Ave	Timothy & Victoria Braden	2,376	\$296,500	\$124.79	4/30/2014	156577	4,792	
330-552-034	36343	173	3286 Appalachian Dr	Michelle Barry	2,134	\$267,000	\$125.12	5/9/2014	170896	6,969	
330-521-005	31926	64	3463 White Sand Ct	Manuel D & Maria A Cabral	1,553	\$247,000	\$159.05	5/12/2014	172559	6,970	2012
330-501-039	31926-2	42	3373 Sequoia Ct	Marvin T & Amber L Loverkamp	2,604	\$320,000	\$122.89	5/23/2014	189948	7,841	2013

APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-552-029	36343	168	3353 Cabrillo Ct	Leo & Gloria Vigueria	2,134	\$267,000	\$125.12	5/28/2014	195359	6,534	
330-550-008	36343	103	3273 Appalachian Dr	Sharmagne Pagsisihan & John Panaglima	2,376	\$298,000	\$125.42	5/29/2014	197719	6,534	
330-552-012	36343	151	3358 Cabrillo Ct	Tawni & Robert Webster	2,639	\$290,000	\$109.89	5/29/2014	196959	14,374	
330-552-013	36343	152	3366 Cabrillo Ct	Luis & Yaneth Leon	2,376	\$295,500	\$124.37	5/29/2014	197539	13,503	
330-552-020	36343	159	3405 Cabrillo Ct	Jesse Garduno & Susan Beedle	2,134	\$273,000	\$127.93	5/29/2014	197020	6,098	
330-502-006	31926-2	49	184 Yosemite Ave	Steven Artz	2,604	\$338,000	\$129.80	5/29/2014	197702	7,405	2014
330-550-007	36343	102	3277 Appalachian Dr	Thomas Broadbent	2,134	\$317,000	\$148.55	5/30/2014	199879	5,663	
330-552-015	36343	154	3382 Cabrillo Ct	Peter Awad	2,376	\$305,500	\$128.58	5/30/2014	199227	6,098	
330-552-027	36343	166	3369 Cabrillo Ct	Gilberto & Nancy Zavala	2,134	\$275,000	\$128.87	5/30/2014	199650	6,098	
330-552-028	36343	167	3357 Cabrillo Ct	Juan Hernandez	1,848	\$246,000	\$133.12	5/30/2014	199939	6,534	
330-552-033	36343	172	3282 Appalachian Dr	David & Michele Birt	2,639	\$309,500	\$117.28	5/30/2014	199890	7,405	
330-552-017	36343	156	3392 Cabrillo Ct	Maria Velasco	2,134	\$272,000	\$127.46	6/6/2014	208132	6,534	
330-530-020	31926	34	313 Yosemite Ave	Karen M & David J Deschane	1,250	\$235,000	\$188.00	6/9/2014	209780	13,504	2011
330-501-037	31926-2	40	3389 Sequoia Ct	Jeffery R & Vanessa D Deshazer	2,604	\$311,000	\$119.43	6/13/2014	218675	8,712	2013
330-552-023	36343	162	3391 Cabrillo Ct	Tyrone & Carolina Carter	2,376	\$269,500	\$113.43	6/17/2014	220620	6,534	
330-501-011	31926-2	14	3437 Presidio Ln	Xavier L & Diana C Pierce	2,604	\$295,000	\$113.29	6/18/2014	223167	8,712	2014
330-501-006	31926-2	9	3477 Presidio Ln	Robert B & Margaret L Young	2,628	\$290,000	\$110.35	6/25/2014	233755	7,405	2014
330-501-018	31926-2	21	3386 Sequoia Ct	Rogelio P & Caridad L Balane	2,608	\$290,000	\$111.20	6/27/2014	239618	7,841	2013
330-521-032	31926	50	3481 Yellowstone Ct	Joel R Ramos	2,222	\$315,000	\$141.76	6/30/2014	242224	7,841	2011
330-552-035	36343	174	3292 Appalachian Dr	Daniel Navarro	1,848	\$273,000	\$147.73	6/30/2014	242142	6,534	
330-552-024	36343	163	3387 Cabrillo Ct	Brian Shramek	2,134	\$293,500	\$137.54	7/1/2014	244749	8,712	
330-552-026	36343	165	3377 Cabrillo Ct	Nathan Johnson	1,848	\$245,000	\$132.58	7/1/2014	245038	6,098	
330-552-022	36343	161	3397 Cabrillo Ct	Charles Prince & Tasha Princes	2,134	\$282,500	\$132.38	7/9/2014	255558	5,662	
330-502-004	31926-2	47	176 Yosemite Ave	Matthew and Lisa Tran	2,783	\$356,500	\$128.10	7/10/2014	257369	7,405	
330-530-025	31926	39	3499 Tallgrass Ct	Cecilia M Thompson	2,375	\$305,000	\$128.42	7/15/2014	262546	11,761	2008
330-552-030	36343	169	3345 Cabrillo Ct	Lorenzo Villalobos & Concepcion Ramirez	2,376	\$282,500	\$118.90	7/16/2014	263939	6,534	
330-550-010	36343	105	112 Yosemite Ave	Rene Martinez & Virginia Colin	2,639	\$323,000	\$122.39	7/18/2014	267656	9,148	
330-502-008	31926-2	51	192 Yosemite Ave	Teresa L Ybarra	2,628	\$330,500	\$125.76	7/18/2014	267807	7,841	2014
330-550-012	36343	107	120 Yosemite Ave	Edgar Reyes & Minerva Padilla Reyes	2,639	\$327,000	\$123.91	7/24/2014	276343	4,792	
330-552-010	36343	149	3342 Cabrillo Ct	Arturo & Jenneth Cruz	2,639	\$287,500	\$108.94	7/25/2014	280908	6,098	
330-552-016	36343	155	3388 Cabrillo Ct	Carla E Ulloa	1,848	\$243,990	\$132.03	7/28/2014	282036	5,663	2014
330-552-032	36343	171	3276 Appalachian Dr	KB Home Coastal Inc	1,848	\$250,500	\$135.55	7/28/2014	282592	6,098	
330-503-009	31926-2	112	3450 Presidio Ln	Henry & Linda A Houston	2,608	\$320,000	\$122.70	7/28/2014	282903	7,405	2013
330-502-001	31926-2	44	164 Yosemite Ave	Donald & Alicia Newton	3,085	\$354,500	\$114.91	7/31/2014	288982	7,405	2014
330-503-001	31926-2	104	3394 Presidio Ln	Anthony & Tanya Rivas	1,763	\$260,000	\$147.48	7/31/2014	289305	8,276	2013
330-503-012	31926-2	115	3482 Presidio Ln	Juan M V Barron	2,783	\$331,500	\$119.12	7/31/2014	289339	9,583	2014
330-552-019	36343	158	3402 Cabrillo Ct	Monica Souratha & Charles Blankenship Jr	2,376	\$288,000	\$121.21	8/6/2014	298001	6,534	
330-550-018	36343	113	144 Yosemite Ave	Michael & Sherri Kreissig	2,376	\$278,500	\$117.21	8/15/2014	311080	5,662	
330-503-008	31926-2	111	3450 Presidio Ln	Alfredo Alvarez	2,783	\$341,500	\$122.71	8/15/2014	309879	7,841	2014
330-550-016	36343	111	136 Yosemite Ave	Paul & Catherine Green	2,639	\$328,000	\$124.29	8/19/2014	313130	4,792	
330-551-003	36343	120	3368 Buffalo Rd	Joshua Tiedeman & Jason Bell	2,376	\$285,500	\$120.16	8/22/2014	320437	6,534	
330-530-001	31926	15	288 Yosemite Ave	Jerry S Freckleton	2,373	\$305,000	\$128.53	8/26/2014	323609	8,276	2012
330-551-001	36343	118	3352 Buffalo Rd	Alonso & Dora Leyvas	2,134	\$285,000	\$133.55	8/26/2014	324037	6,969	
330-552-009	36343	148	3355 Buffalo Rd	Carlos & Gabrielle Flores	2,376	\$309,500	\$130.26	8/26/2014	323277	6,098	
330-550-019	36343	114	148 Yosemite Ave	Martin & Hayde Esquivel	2,639	\$309,000	\$117.09	8/27/2014	326442	5,662	
330-552-004	36343	143	3379 Buffalo Rd	Juan & Brenda Barajas	2,134	\$265,500	\$124.41	8/28/2014	328656	6,970	

APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-550-014	36343	109	128 Yosemite Ave	Petrona & Regino Gonzalez	2,639	\$323,000	\$122.39	8/29/2014	330603	4,792	
330-551-002	36343	119	3360 Buffalo Rd	Joseph Craig & Paola Millan Arellano	1,848	\$262,000	\$141.77	8/29/2014	330156	6,969	
330-551-005	36343	122	3376 Buffalo Rd	Feledier Thrower	2,134	\$265,000	\$124.18	8/29/2014	329779	5,662	
330-551-007	36343	124	3392 Buffalo Rd	Gary & Patricia Meissner	2,376	\$294,500	\$123.95	8/29/2014	330259	5,227	
330-552-001	36343	140	3397 Buffalo Rd	Cheryl Reynolds Young	2,134	\$267,500	\$125.35	8/29/2014	330889	7,405	
330-552-006	36343	145	3369 Buffalo Rd	Jennifer & Maxwell Sendejas	2,376	\$304,500	\$128.16	8/29/2014	329858	6,098	
330-552-007	36343	146	3365 Buffalo Rd	Nicolas & Jennie Andrade	1,848	\$275,000	\$148.81	8/29/2014	330635	5,663	
330-552-008	36343	147	3357 Buffalo Rd	Alexander & Veronica Hernandez	2,134	\$277,500	\$130.04	8/29/2014	330877	5,227	
330-552-021	36343	160	3401 Cabrillo Ct	Md Faisal et al	2,376	\$310,000	\$130.47	8/29/2014	330946	5,662	
330-501-002	31926-2	5	160 Muir Woods Rd	David A & Louise A Turpin	2,388	\$351,000	\$146.98	8/29/2014	330865	7,405	2014
330-550-006	36343	101	3281 Appalachian Dr	Leonida & William Woody	2,639	\$302,500	\$114.63	9/2/2014	331542	5,663	
330-552-002	36343	141	3391 Buffalo Rd	Jacinto Rincon Hierro & Francisca De Rincon	1,848	\$263,500	\$142.59	9/2/2014	332680	6,534	
330-501-010	31926-2	13	3445 Presidio Ln	Julio C & Desiree Reyes	2,783	\$342,000	\$122.89	9/4/2014	336431	8,276	2014
330-550-015	36343	110	132 Yosemite Ave	Tomasz Toka & Shirley Guevara	2,376	\$300,500	\$126.47	9/5/2014	338225	4,792	
330-550-021	36343	116	156 Yosemite Ave	Maria Jacquez	2,376	\$276,000	\$116.16	9/5/2014	337964	5,227	
330-551-004	36343	121	3372 Buffalo Rd	Andrew Allen	1,848	\$252,500	\$136.63	9/5/2014	338189	6,098	
330-552-014	36343	153	3374 Cabrillo Ct	Avery & Leilani Lee	2,639	\$309,000	\$117.09	9/5/2014	337551	12,196	
330-541-001	36343	126	3408 Buffalo Rd	William & Raquel Tucker	2,134	\$265,500	\$124.41	9/11/2014	345463	5,663	
330-552-011	36343	150	3350 Cabrillo Ct	Frahim Oviedo	2,376	\$277,500	\$116.79	9/12/2014	347935	10,890	
330-501-026	31926-2	29	3450 Sequoia Ct	Angel A Cardenas	2,604	\$310,000	\$119.05	9/19/2014	357064	7,405	2013
330-502-009	31926-2	52	196 Yosemite Ave	Carl S & Robin L Faz	2,628	\$319,500	\$121.58	9/19/2014	357325	7,841	2014
330-500-003	31926-2	3	159 Muir Woods Rd	Jesse I & Salynn J Simon	2,628	\$310,500	\$118.15	9/24/2014	363211	7,405	2014
330-540-057	36343	67	3403 Buffalo Rd	Ramiro D Guerra	1,848	\$280,500	\$151.79	9/26/2014	367533	6,534	2014
330-550-022	36343	117	160 Yosemite Ave	May Chen	2,639	\$303,000	\$114.82	9/26/2014	367611	4,792	2014
330-540-061	36343	71	3426 Gettysburg Ct	Lynda J Farley	1,848	\$288,000	\$155.84	9/30/2014	372578	10,454	2014
330-541-002	36343	127	3416 Buffalo Rd	Samuel & Mayola Thompkins	2,639	\$310,500	\$117.66	9/30/2014	372449	5,663	
330-541-003	36343	128	3424 Buffalo Rd	Francisco Santiago & Benita Solis	2,376	\$296,000	\$124.58	9/30/2014	371412	6,098	
330-541-004	36343	129	3432 Buffalo Rd	A & Nancy Pace	1,848	\$270,000	\$146.10	9/30/2014	372960	5,663	
330-501-032	31926-2	35	3429 Sequoia Ct	Sergio R & Ivette Requesnes	2,604	\$309,000	\$118.66	10/10/2014	388185	7,841	2013
330-552-025	36343	164	3381 Cabrillo Ct	Arthur L & Tarsia A Alfred	2,639	\$318,500	\$120.69	10/15/2014	392388	6,534	2014
330-552-005	36343	144	3373 Buffalo Rd	Louis & Maricela Castro	1,848	\$280,500	\$151.79	10/20/2014	397337	6,534	2014
330-540-060	36343	70	3422 Gettysburg Ct	Steven A & Jennifer E Villafuerte	2,376	\$288,000	\$121.21	10/28/2014	408881	8,276	2014
330-541-009	36343	134	3464 Buffalo Rd	Agustin G & Mercedes Andrade	2,639	\$305,000	\$115.57	10/29/2014	411844	5,227	2014
330-541-011	36343	136	3474 Buffalo Rd	Richard A & Yvonne T Briscoe	2,134	\$285,000	\$133.55	10/29/2014	411837	5,227	2014
330-540-058	36343	68	3406 Gettysburg Ct	Sheila T Vergara	2,134	\$308,000	\$144.33	10/30/2014	414044	6,970	2014
330-541-007	36343	132	3452 Buffalo Rd	Michael Smith	2,376	\$298,500	\$125.63	10/30/2014	414209	5,227	2014
330-541-014	36343	139	3492 Buffalo Rd	Rex G & Shi M Wolins	2,134	\$305,000	\$142.92	10/30/2014	414024	6,098	2014
330-540-054	36343	64	3415 Buffalo Rd	Donald C & Kendra P Hadley	2,134	\$290,000	\$135.90	10/31/2014	416870	6,098	2014
330-540-056	36343	66	3407 Buffalo Rd	Juan C Vallejo	2,639	\$309,000	\$117.09	10/31/2014	416489	5,663	2014
330-501-005	31926-2	8	172 Muir Woods Rd	Arnulfo & Erika Carmona	3,085	\$349,500	\$113.29	10/31/2014	415642	7,405	2014
330-521-015	31926	74	3482 Potomac Ct	Steve & Megan Romero	2,216	\$288,000	\$129.96	11/6/2014	428315	14,810	2011
330-541-008	36343	133	3460 Buffalo Rd	Mary J Wilms	2,134	\$276,000	\$129.33	11/12/2014	433904	5,227	2014
330-501-001	31926-2	4	156 Muir Woods Rd	Abouzar Saadat	2,783	\$349,000	\$125.40	11/12/2014	433187	7,405	2014
330-503-010	31926-2	113	3466 Presidio Ln	Jose L & Margarita Alvarez	2,783	\$329,500	\$118.40	11/13/2014	435518	7,405	2014
330-541-010	36343	135	3470 Buffalo Rd	Cara Sweet	1,848	\$268,500	\$145.29	11/17/2014	438659	5,227	2014
330-502-002	31926-2	45	168 Yosemite Ave	Gory James	2,783	\$338,500	\$121.63	11/18/2014	441833	7,405	2014



APN	Tract	Lot	Address	Owner Name	Unit Size	Sale Price	\$/SF	Recording Date	Doc. No.	Lot SF	Yr Built
330-540-063	36343	73	3423 Gettysburg Ct	Joseph M & Kayla L Nebres	2,134	\$295,000	\$138.24	11/20/2014	445672	11,326	2014
330-503-016	31926-2	119	175 Muir Woods	Horacio & Maria Trujillo	2,628	\$317,000	\$120.62	11/20/2014	445789	7,841	
330-541-012	36343	137	3480 Buffalo Rd	Doris P Vigil	2,376	\$320,500	\$134.89	11/21/2014	447835	5,227	2014
330-540-029	36343	34	141 Cuyahoga Ct	Jessica Rodriguez	2,134	\$289,000	\$135.43	11/24/2014	449916	6,098	2014
330-540-064	36343	74	3419 Gettysburg Ct	Vernon A Dorsey	2,639	\$300,500	\$113.87	11/24/2014	450159	6,098	2014
330-500-001	31926-2	1	176 Yosemite Ave	Mathikone Makaya	2,628	\$322,000	\$122.53	11/24/2014	450124	7,841	2014
330-503-015	31926-2	118	79 Muir Woods	Mathikone Makaya	2,604	\$322,000	\$123.66	11/24/2014	450124	7,405	
330-540-033	36343	38	125 Cuyahoga Ct	Jesus Soto	2,134	\$301,000	\$141.05	11/26/2014	455049	5,227	2014
330-540-062	36343	72	3429 Gettysburg Ct	Ricardo & Yesenia Macias	2,639	\$350,500	\$132.82	11/26/2014	454189	8,276	2014
330-541-005	36343	130	3440 Buffalo Rd	Robert & Lindsey Vasquez	2,639	\$327,500	\$124.10	11/26/2014	452918	5,663	2014
330-502-007	31926-2	50	188 Yosemite Ave	Jose M Ramos	3,085	\$333,000	\$107.94	12/1/2014	455329	9,148	2014
330-540-049	36343	59	130 Cuyahoga Ct	Ralph R Ontiveros	2,134	\$300,000	\$140.58	12/3/2014	460401	5,227	2014
330-552-031	36343	170	3270 Appalachian Dr	Russell J & Desiree M Grant	2,134	\$278,500	\$130.51	12/10/2014	471817	8,712	2013
330-552-003	36343	142	3385 Buffalo Rd	Jose L & Sandra Reyes	2,376	\$292,000	\$122.90	12/12/2014	476772	6,970	2014
330-541-006	36343	131	3448 Buffalo Rd	Alberto Camargo	1,848	\$263,000	\$142.32	12/19/2014	486219	5,227	2014
330-501-029	31926-2	32	3453 Sequoia Ct	Roberto G Lopez	2,388	\$280,000	\$117.25	12/24/2014	491023	14,375	2013
330-502-005	31926-2	48	180 Yosemite Ave	Maricela De La Cruz	2,644	\$321,000	\$121.41	12/30/2014	498173	7,405	2014
330-551-006	36343	123	3384 Buffalo Rd	Andres Morales	2,639	\$297,000	\$112.54	1/15/2015	18583	5,663	
		<b>142</b>			<b>2,384</b>	<b>\$297,430</b>	<b>\$124.78</b>				

**Total Sales: 285**

