

RESOLUTION NUMBER 3855

A RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES) OF THE CITY OF PERRIS AND TO AUTHORIZE THE LEVY OF A SPECIAL TAX WITHIN SAID DISTRICT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”) has received a petition (including consent and waiver) (the “Petition”) from the owners of certain property located in the City requesting the institution of proceedings for formation of a community facilities district (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code of the State of California (the “Act”); and

WHEREAS, the Council has determined that the Petition complies with the requirements of Government Code Section 53318 and now intends to form Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris; and

WHEREAS, the Council desires to adopt this Resolution of Intention as provided in Section 53321 of the Act to establish a community facilities district consisting of the territory described in Exhibit “A” hereto and incorporated herein by this reference, which the Council hereby determines shall be known as “Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris” (the “Community Facilities District No. 2006-2” or the “District”) pursuant to the Act to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property described in Exhibit “B” hereto and incorporated herein by this reference, including all furnishings, equipment and supplies related thereto and the payment of development impact fees and other fees of public agencies (collectively, the “Facilities”), which Facilities have a useful life of five years or longer; and (2) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District (the “Incidental Expenses”); and

WHEREAS, it is the intention of the Council to consider financing the Facilities and the Incidental Expenses through the formation of Community Facilities District No. 2006-2 and the sale of bonded indebtedness in an amount not to exceed \$16,000,000 within the proposed District and the levy of a special tax within the District to pay for the Facilities and the Incidental Expenses and to pay debt service on the bonded indebtedness incurred by such District, provided that the bond sales and special tax levies are approved at an election to be held within the District;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PERRIS DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. The Council hereby determines to institute proceedings for the formation of a community facilities district under the terms of the Act pursuant to Section 53350 of the Act. The exterior boundaries of the District are hereby specified and described to be as shown on that certain map now on file in the office of the City Clerk entitled “Proposed Boundaries of Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris”, which map indicates by a boundary line the extent of the territory included in the proposed District and shall govern for all details as to the extent of the District. On the original and one copy of the map of such District on file in the Clerk’s office, the Clerk shall endorse the certificate evidencing the date and adoption of this Resolution. The Clerk shall file the original of such map in her office and, within fifteen (15) days after the adoption of this Resolution, the Clerk shall file a copy of such map so endorsed in the records of the County Recorder, County of Riverside, State of California.

Section 3. The name of the proposed District shall be designated as “Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris.”

Section 4. The Facilities proposed to be financed by the District and to be financed in part by the District are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which the City, Eastern Municipal Water District (“EMWD”) or other public agency is authorized by law to construct, acquire, own, operate or contribute revenue to. The Council hereby finds and determines that the description of the Facilities herein is sufficiently informative to allow taxpayers within the proposed District to understand what the funds of the District may be used to finance. The Incidental Expenses expected to be incurred include the cost of planning and designing the Facilities, the costs of forming the District, issuing bonds and levying and collecting a special tax within the District. The Council hereby finds that the proposed Facilities are necessary to meet increased demands placed upon the City, EMWD or other public agency as a result of development occurring within the proposed District. Such Facilities need not be physically located within the District.

Section 5. Except where funds are otherwise available, it is the intention of the Council to levy annually, in accordance with procedures contained in the Act, a special tax within the District (the “Special Tax”) sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities and Incidental Expenses, including the principal and interest and other periodic costs of bonds or other indebtedness proposed to be issued to finance the Facilities, and Incidental Expenses, the establishment and replenishment of reserve funds, the credit enhancement fees, if any, the costs of administering the levy and collection of the Special Tax, and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of Facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the District. In the first year in which such a Special Tax is

levied, the levy shall include a sum sufficient to repay to the City all amounts, if any, transferred to the District pursuant to Section 53314 of the Act and interest thereon. The schedule of the rate and method of apportionment and manner of collection of the Special Tax within the District is described in detail in Exhibit "C" attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities and Incidental Expenses in the District, the demand that each parcel will place on the Facilities, and the benefit (direct and/or indirect) received by each parcel from the Facilities.

The Special Tax within the District is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act. In the event that a portion of the property within the District shall become for any reason exempt, wholly or partially, from the levy of the Special Tax, the Council shall, on behalf of the District, increase the levy to the extent necessary upon the remaining property within the District which is not delinquent or exempt in order to yield the required payments, subject to the maximum tax. If special taxes of the District are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time except that it may be increased by an amount not to exceed two percent (2%) per year to the extent permitted in the rate and method of apportionment; (ii) such tax shall be levied for a period not to exceed forty (40) years commencing with Fiscal Year 2007-2008, as further described in Exhibit "C" hereto; and (iii) under no circumstances will such special tax be increased as a consequence of delinquency or default by the owner of any other parcels within the District by more than ten percent (10%).

Section 6. The Special Tax within the proposed District is based on the expected demand that each parcel of real property within the proposed District will place on the Facilities and on the benefit that each parcel derives from the right to access the Facilities. The Council hereby determines that the proposed Facilities are necessary to meet the increased demand placed upon the City, EMWD and other agencies, and the existing infrastructure in the City as a result of the development of land proposed for inclusion in the District. The Council hereby determines the rate and method of apportionment of the Special Tax set forth in Exhibit "C" for the District to be reasonable.

Section 7. A public hearing (the "Hearing") on the establishment of Community Facilities District No. 2006-2, the proposed rate and method of apportionment of the Special Tax and the proposed issuance of bonds to finance the Facilities and the Incidental Expenses shall be held on February 27, 2007, at 6:00 p.m., or as soon thereafter as practicable, at the chambers of the City Council of the City of Perris, 101 North "D" Street, Perris, California 92570. Should the Council determine to form the District, a special election will be held within the District to authorize the issuance of bonds and the levy of the Special Tax in accordance with the procedures contained in Government Code Section 53326. If held, the proposed voting procedure at the election will be a landowner vote, with each landowner who is the owner of record of land within the District at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within the District. Ballots for the special election may be distributed by mail or by personal service.

Section 8. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within the proposed District, may appear and be heard.

Section 9. Each City officer who is or will be responsible for the Facilities to be financed by the District, if it is established, is hereby directed to study the proposed District and, at or before the time of the above-mentioned Hearing, file a report with the Council, and which is to be made a part of the record of the Hearing, containing a brief description of the Facilities and services by type which will, in his or her opinion, be required to adequately meet the needs of the District, and his or her estimate of the cost of providing the Facilities and services, including an estimate of the fair and reasonable cost of all Incidental Expenses, including the cost of planning and designing the Facilities to be financed pursuant to the Act, the cost of environmental evaluations of such Facilities, all costs associated with the creation of the District, issuance of bonds, determination of the amount of any special taxes, collection of any special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the City with respect to the District, and any other expenses incidental to the construction, completion and inspection of the authorized work to be paid through the proposed financing.

Section 10. The City may accept advances of funds or work-in-kind from any sources, including private persons or private entities, and is authorized and directed to use such funds for any authorized purpose, including any cost incurred in creating the District. The District may enter into an agreement to repay all of such funds as are not expended or committed for any authorized purpose at the time of the election on the levy of the Special Tax, if the proposal to levy such tax should fail, and to repay all of such funds advanced if the levy of the Special Tax shall be approved by the qualified electors of the District.

Section 11. The Clerk is hereby directed to publish a notice ("Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed District. Such Notice shall contain the text or a summary of this Resolution, state the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners in the proposed District as provided in Section 53324 of the Act, and a description of the proposed voting procedure for the election required by the Act. Such publication, unless waived, shall be completed at least seven (7) days prior to the date of the Hearing.

Section 12. The Clerk may send a copy of the Notice of the Hearing by first-class mail, postage prepaid, to each registered voter and to each landowner within the proposed District as shown on the last equalized assessment roll. Said mailing shall be completed not less than fifteen (15) days prior to the date of the Hearing.

Section 13. Pursuant to Section 53344.1 of the Act, the Council hereby reserves to itself, in its sole discretion, the right and authority by subsequent resolution to allow any owner of property within the District, subject to the provisions of Section 53344.1 of the Act and those conditions as it may impose, and any applicable prepayment penalties as prescribed in

the bond indenture or comparable instrument or document, to tender to the District treasurer in full payment or part payment of any installment of the special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, the bond or other obligation to be taken at par and credit to be given for the accrued interest shown thereby computed to the date of tender.

Section 14. The voting procedure with respect to the establishment of the District and the imposition of the Special Tax shall be by mail or hand-delivered ballot election.

ADOPTED, SIGNED and **APPROVED** this 9th day of January, 2007.

Mayor, Daryl R. Busch

ATTEST:

City Clerk, Judy L. Haughney

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

I, Judy L. Haughney, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 3855 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting thereof held the 9th day of January, 2007, and that it was so adopted by the following called vote:

AYES: Yarbrough, Landers, Motte, Rogers, Busch

NOES:

ABSENT:

ABSTAIN:

City Clerk, Judy L. Haughney

EXHIBIT "A"
(RESOLUTION NUMBER 3855)

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

BOUNDARY MAP

[ATTACHED]

MAP OF PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES)

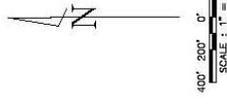
CITY OF PERRIS
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

CITY CLERK'S STATEMENT
FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____ 2006.

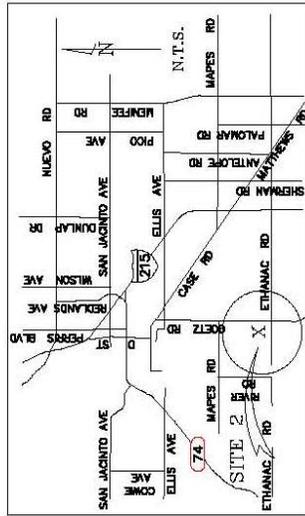
CITY CLERK
CITY OF PERRIS
I HEREBY CERTIFY THAT THE MAPS AND PARCEL SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES) CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF PERRIS AT A REGULAR MEETING HELD ON _____ DAY OF _____ 2006, BY ITS RESOLUTION NO. _____.

CITY CLERK
CITY OF PERRIS
COUNTY RECORDER'S CERTIFICATE
THIS MAP HAS BEEN FILED UNDER DOCUMENT NUMBER _____ AT _____ M., IN BOOK _____ OF _____ AT PAGE _____ AT THE REQUEST OF _____ IN THE AMOUNT OF \$ _____.

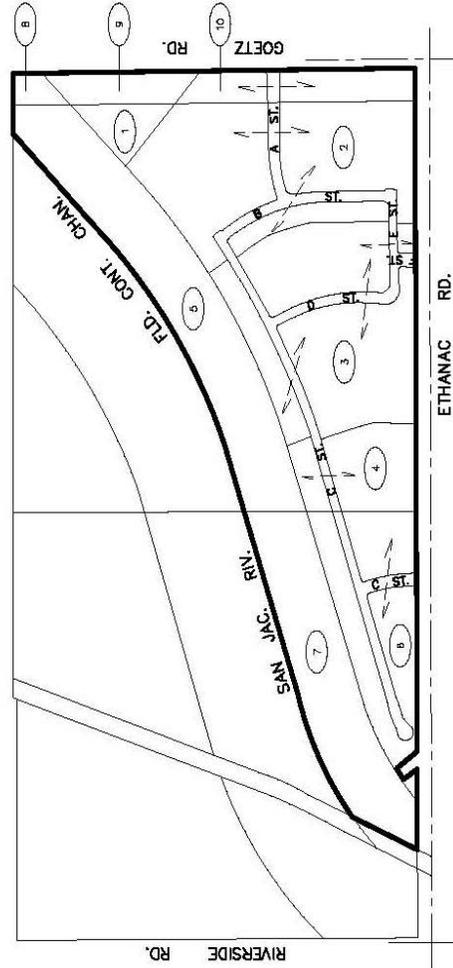
COUNTY RECORDER
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA
THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM HAVE BEEN MEASURED AND SHOWN ON THE RIVERSIDE COUNTY ASSESSOR'S MAPS FOR THOSE PARCELS LISTED.
THE RIVERSIDE COUNTY ASSESSOR'S MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.



MAP REF. NO.	ASSESSOR'S MAP NO.
1	330-130-028
2	330-130-029
3	330-130-030
4	330-130-031
5	330-130-032
6	330-130-033
7	330-130-034
8	330-130-035
9	330-130-036
10	330-130-037



VICINITY MAP



KOPPEL & GRUBER
PUBLIC UTILITIES ENGINEERS, INC.
884 Via Vera Cres
San Marcos, California 92078
Phone (760) 510-0890 Fax (760) 510-0895

EXHIBIT “B”
(RESOLUTION NUMBER 3855)

**TYPES OF FACILITIES TO BE FINANCED BY
COMMUNITY FACILITIES DISTRICT NO. 2006-2
(MONUMENT PARK ESTATES) OF THE CITY OF PERRIS**

The General Description of the Facilities that may be acquired or constructed is as follows:

- Street facilities, including, but not limited to, major arterials, highways, intersections, access ramps, roadways, sidewalk, curb, gutters, striping, lighting, traffic signalization, signage, landscaping of public streets and rights-of-way and appurtenant facilities;
- Storm control facilities, including, but not limited to, storm drains, channels, detention, headwalls, riprap pads, retention and/or catch basins and appurtenant facilities;
- Sewer improvements, sanitary sewers, including, but not limited to, lift stations, force mains, pump stations, transmission and main lines, valves, and appurtenant facilities;
- Domestic water facilities, including, but not limited to, reservoirs, pump stations, transmission lines, distribution facilities, main lines, valves, fire hydrants and appurtenant facilities;
- Park, recreational facilities, open space and appurtenant facilities;
- Impact and other fees, including but not limited to, TUMF, DIF, school fees, water fees, drainage fees, sewer treatment and connection fees, water supply fees, water meter fees, water connection fees, storm drain fees, capital facilities’ fees and other city fees and all capital facilities which are part of these fee programs and capital improvement programs;
- Incidental expenses.
- City facilities.

OTHER

The District may also finance any of the following:

1. Bond related expenses, including underwriter's discount, reserve fund, capitalized interest, financial advisor fees and expenses, bond and disclosure counsel fees and expenses, special tax consultant fees and expenses, dissemination agent fees and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to the District and the Bonds.
3. Reimbursement of costs related to the formation of the District advanced by the City or any related entity, or any landowner or developer within the District, as well as reimbursement of any costs advanced by the City or any related entity, or any landowner or developer within the District, for facilities or other purposes or costs of the District.

This description of the public capital facilities is general in nature. The final nature and location of improvements and facilities will be determined upon the preparation of final plans and specifications. The final plans and specifications may show substitutes in lieu of, or modifications to, proposed work. Any such substitution shall not be a change or modification in the proceedings as long as the facilities provide a service substantially similar to that as set forth in the Report.

EXHIBIT “C”
(RESOLUTION NUMBER 3855)

CITY OF PERRIS

COMMUNITY FACILITIES DISTRICT NO. 2006-2
(MONUMENT PARK ESTATES)

RATE AND METHOD OF APPORTIONMENT

A Special Tax shall be levied on all Taxable Property within the boundaries of Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris (“CFD No. 2006-2”) and collected according to the tax liability determined by the Council, through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

The terms hereinafter set forth have the following meanings.

“Acre” or “Acreage” means the land area of an Assessor’s Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, other recorded County parcel map, or other similar instrument. An Acre means 43,560 square feet of land.

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

“Administrative Fees” or “Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-2, including, but not limited to: the costs of computing the Special Taxes; the costs of preparing the Annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-2, or any designee thereof complying with arbitrage rebate requirements, including, without limitation, rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2006-2, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2006-2, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2006-2, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2006-2 for any other administrative purposes of CFD No. 2006-2, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“Annual Special Tax” means the Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

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

“Assessor's Parcel” means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

“Backup Special Tax” means a Special Tax that may be required to be paid prior to the issuance of a Building Permit, subject to the conditions and as set forth in Section 5.

“Backup Special Tax Fund” means the fund (regardless of its name) established pursuant to the Indenture in which Backup Special Taxes are deposited.

“Bonds” means any bonds or other indebtedness (as defined by the Act) of CFD No. 2006-2, whether in one or more series, secured by the levy of Special Taxes.

“Builder” means a home builder other than the Developer acting as the builder of Residential Units within CFD No. 2006-2.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2006-2 issued by the City.

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

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

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and/or calculating the Backup Special Tax.

“CFD Formation” means the date on which the Council approved the formation of CFD No. 2006-2 in accordance with the provisions of the Act.

“CFD No. 2006-2” means the Community Facilities District No. 2006-2 (Monument Park Estates) of the City of Perris.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of the CFD under the Act.

“County” means the County of Riverside, California.

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

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

“Developer” means Monument Park, LLC, and their successors, if any, acting as the developer of property within CFD No. 2006-2.

“Development Plan” means a plan of (i) the actual number of Residential Units built within CFD No. 2006-2 and (ii) the proposed number of Residential Units to be built within CFD No. 2006-2 as provided by the Developer or Builder(s). The Development Plan shall include the number of Residential Units, Building Square Footage, and base sales price of the Residential Units. With respect to the property it owns, the Developer and/or Builder shall file with the City a Development Plan each Fiscal Year as of March 1 or prior to the issuance of any Building Permits if there is a change in the number and square footage of the Residential Units.

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

“Expected Land Uses” means the total number of Residential Units and their Building Square Footage expected to be constructed within CFD No. 2006-2, as determined from time to time by the CFD Administrator by applying the steps described in Section 5 below. The Expected Land Uses at CFD Formation are summarized in Exhibit A hereto. The CFD Administrator shall update Exhibit A if (i) a Mandatory Maximum Special Tax Reduction is applied in accordance with Section 8 below; or (ii) a change occurs to the Development Plan that would change the number of Residential Units within each Land Use Class as shown in Exhibit A.

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

“Final Bond Sale” means the last series of Bonds that will be issued on behalf of CFD No. 2006-2 (excluding any Bond refundings), as determined in the sole discretion of the City.

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

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

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

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

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

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

“Maximum Annual Debt Service” means the largest Debt Service for any Calendar Year.

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

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

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax Obligation applicable to a parcel of Taxable Property as set forth in Section 7.B below.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 2006-2 owned in fee by a property owner association, including any master or sub-association.

“Property Tax Burden” means the total estimated amount of taxes an owner of a Residential Unit would expect to pay in a Calendar Year, including *ad valorem* property taxes, special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges).

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

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

“Public Property” means any property within the boundaries of CFD No. 2006-2 which is owned by, or irrevocably offered for dedication to, the federal government, the State of California, the County, the City or any other public agency; provided, however, that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Residential Unit" means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

"Special Tax" means any special tax levied within CFD No. 2006-2 pursuant to the Act and this Rate and Method of Apportionment.

"Special Tax Obligation" means the total obligation of an Assessor's Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2006-2.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including, but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities, provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-2 which are not exempt from the levy of the Special Tax pursuant to law or Section 10 below.

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

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

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2007-2008, each Assessor's Parcel within CFD No. 2006-2 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3, 4 and 5 below. Furthermore, each Assessor's Parcels of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2007-2008 shall be determined pursuant to Table 1 below.

Table 1
Maximum Special Tax Rates
Fiscal Year 2007-2008

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 1,801 Sq. Ft.	\$2,114 per Residential Unit
2	1,801 to 2,000 Sq. Ft.	\$2,308 per Residential Unit
3	2,001 to 2,200 Sq. Ft.	\$2,464 per Residential Unit
4	2,201 to 2,400 Sq. Ft.	\$2,561 per Residential Unit
5	2,401 to 2,600 Sq. Ft.	\$2,658 per Residential Unit
6	Greater than 2,600 Sq. Ft.	\$2,823 per Residential Unit

Each July 1, commencing July 1, 2008, the Maximum Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Provisional Undeveloped Property or Undeveloped Property.

The Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall be \$14,869 per Acre for Fiscal Year 2007-2008. On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall increase by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2007-2008, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

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

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

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

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased from the previous Fiscal Year by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-2, except for those Assessor's Parcels of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more properties within CFD No. 2006-2.

5. CALCULATION, PAYMENT, APPLICATION, AND RELEASE OF BACKUP SPECIAL TAX

The Maximum Special Taxes set forth in Section 3 were calculated based on the Expected Land Uses at CFD Formation. Each year, or upon submittal of a Development Plan, the CFD Administrator shall review all applicable Final Subdivision Maps and the Development Plan of CFD No. 2006-2 to confirm that the Final Subdivision Maps and Development Plan reflect the number and size of Residential Units that were anticipated at the time of CFD Formation. The Developer and/or Builder shall file an amended Development Plan with the City after CFD Formation any time there is a change in the number and/or size of Residential Units.

Prior to Final Bond Sale

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

Subsequent to Final Bond Sale

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

Step 1: By reference to Exhibit A (which shall be updated by the CFD Administrator in accordance with this Section 5 each time a Land Use/Entitlement change is processed, the Development Plan is changed, or a Mandatory Maximum Special Tax Reduction is applied) and by computing the Maximum Special Tax rates in accordance with Section 3 for the current Fiscal Year, the CFD Administrator shall calculate the Expected Maximum Special Tax Revenues for CFD No. 2006-2.

Step 2: The CFD Administrator shall calculate the Expected Maximum Special Tax Revenues that could be collected from Taxable Property in CFD No. 2006-2 if the Land Use/Entitlement

Change is approved or the Development Plan is changed (“Proposed Maximum Special Tax Revenues”).

Step 3: If the amount determined in Step 2 above is higher than that calculated in Step 1 above, the Land Use/Entitlement Change may be approved or the Development Plan may change without further action. If the revenues calculated in Step 2 above are less than those calculated in Step 1 above, the Developer or Builder shall pay a Backup Special Tax in an amount equal to the difference between the Expected Maximum Special Tax Revenues calculated in Step 1 above and the Proposed Maximum Special Tax Revenues calculated in Step 2 above, utilizing the methodology set forth in Section 7. The Backup Special Tax required by this Step shall be paid prior to the approval of the proposed Land Use/Entitlement Change or the issuance of additional Building Permits to the Builder and/or Developer impacted by the Land/Use Entitlement Change.

Notwithstanding that the Backup Special Tax shall be paid utilizing the methodology set forth in Section 7.B (Partial Prepayment), the payment of the Backup Special Tax shall not be considered a prepayment that requires notation in the records or a reduction in the levy of Maximum Special Taxes.

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

Step 4: Application/Release of Backup Special Taxes

Any Backup Special Tax payments received (less Prepayment Administrative Fees and Expenses) shall be deposited into the Backup Special Tax Fund and disbursed pursuant to the Indenture and this Section 5 as described below. The Maximum Special Taxes applicable to Developed Property shall not be reduced or relieved as a result of payment of the Backup Special Tax.

a. Prior to Release of Backup Special Taxes

Prior to the release of the Backup Special Taxes or the redemption of Bonds as described below, the CFD Administrator shall annually calculate the amount required to be withdrawn from the Backup Special Tax Fund to pay (i) interest on the Bond Redemption Amount computed pursuant to Section 7 and (ii) a pro rata amount of principal scheduled to be paid on the Bonds, such amount to be in proportion to the quotient computed pursuant to paragraph 3 of Section 7.

b. Release of Backup Special Taxes

At the earlier of (i) three years from the date the Bond Issuance or (ii) all expected Building Permits for Residential Units have been issued (i.e., buildout), the CFD Administrator shall calculate the Expected Maximum Special Tax Revenues.

If the Expected Maximum Special Tax Revenue is less than the sum of the Administrative Expenses for each Fiscal Year that may be levied on Taxable Property and 1.1 times the Maximum Annual Debt Service on all Outstanding Bonds, then to the extent necessary to meet the preceding coverage test, money then on deposit in the Backup Special Tax Fund shall be used to redeem Bonds on the next available redemption date. The Administrative Expenses and Debt Service on the Bonds shall be as determined by the CFD Administrator. Upon a receipt of a written request from the Developer or Builder who paid such Backup Special Tax, any moneys remaining in the Backup Special Tax Fund shall be returned after Bonds have been redeemed.

If the Expected Maximum Special Tax Revenues are greater than or equal to the sum of the Administrative Expenses for each Fiscal Year that may be levied on Taxable Property and 1.1 times the Maximum Annual Debt Service on all Outstanding Bonds, then upon a receipt of a written request from the Developer or Builder who paid such Backup Special Tax, any moneys remaining in the Backup Special Tax Fund shall be returned.

If Backup Special Taxes have been paid by more than one Developer or Builder, the amount of the Backup Special Taxes returned to each shall be Proportionate to the amount paid by each.

6. COLLECTION OF SPECIAL TAXES

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

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

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

The following definitions apply to this Section 7:

“CFD Public Facilities Costs” means \$17,652,734 in 2007 dollars, which shall increase by the Construction Inflation Index on July 1, 2008, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the authorized Act financing program for CFD No. 2006-2, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 2006-2 Bonds (except refunding bonds) to be supported by Special Taxes.

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

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

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

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

“Previously Issued Bonds” means all CFD No. 2006-2 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than 60 days prior to any redemption date for the CFD No. 2006-2 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

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

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

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, determine the Maximum Special Tax. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for CFD No. 2006-2 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2006-2 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been previously prepaid in full.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the expected redemption date for the Outstanding Bonds.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount, less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").
11. Verify the administrative fees and expenses of CFD No. 2006-2, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-2, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees and Expenses").

12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment calculation date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12 and 13, shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2006-2.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2006-2 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem CFD No. 2006-2 Bonds, to be used with the next prepayment of CFD No. 2006-2 Bonds.

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

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

B. Partial Prepayment

The Special Tax on an Assessor's Parcel of Developed Property or Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section 7.A
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax
- A = the Prepayment Administrative Fees and Expenses from Section 7.A

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section 7.A., and (ii) indicate in the records of CFD No. 2006-2 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

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

8. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden shall be calculated pursuant to the Land Secured Financing Policy adopted pursuant to the City Council Resolution in effect at the time of CFD Formation (the "Goals and Policies") on Developed Property by the CFD Administrator. The Maximum Special Tax on Developed Property set forth in Section 3.A of this Rate and Method of Apportionment shall be permanently reduced if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum overall tax burden percentage allowed in the Goals and Policies. In such a case, the CFD Administrator shall take the following steps:

Step 1: The CFD Administrator shall calculate the Property Tax Burden for each Land Use Class set forth in Table 1.

Step 2: For any Land Use Class set forth in Table 1 whose Property Tax Burden exceeds the overall tax burden percentage set forth in the Goals and Policies, the Maximum Special Tax shall be permanently reduced so that the Property Tax Burden equals the overall tax burden percentage set forth in the Goals and Policies.

Step 3: If the Mandatory Maximum Special Tax Reduction is implemented, then Table 1 shall be modified and the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Taxes on Developed Property.

If the Mandatory Maximum Special Tax Reduction is implemented, then the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Taxes.

9. TERM OF SPECIAL TAX

The Annual Special Tax shall be levied for a period of thirty-five (35) years after the last series of Bonds has been issued, but shall not be levied for a period to exceed forty (40) Fiscal Years, commencing with Fiscal Year 2007-2008.

10. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iv) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, or (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2006-2 to less than 57.95 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2006-2 to less than 57.95 acres of Acreage, shall be classified as Provisional Undeveloped Property, and will continue to be subject to the CFD No. 2006-2 Special Taxes accordingly. Tax-exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

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

11. APPEALS

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

EXHIBIT A

CITY OF PERRIS COMMUNITY FACILITIES DISTRICT NO. 2006-2 (MONUMENT PARK ESTATES) RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX EXPECTED LAND USES AND EXPECTED MAXIMUM SPECIAL TAX REVENUES

1. DEFINITIONS

“Acre” or “Acreage” means the land area of an Assessor’s Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, other recorded County parcel map, or other similar instrument. An Acre means 43,560 square feet of land.

Land Use Class	Building Square Footage	Number of Expected Units	Maximum Special Tax FY 2007-2008*	Total Expected Annual Special Tax Revenues*
1	< 1,801	30	\$2,114	\$63,420
2	1,801 – 2,000	45	2,308	103,860
3	2,001 – 2,200	50	2,464	123,200
4	2,201 – 2,400	60	2,561	153,660
5	2,401 – 2,600	70	2,658	186,060
6	> 2,600	82	2,823	231,486
Total	NA	337	NA	\$861,686

*Amounts are shown in Fiscal Year 2007-2008 dollars and shall escalate by two percent (2.0%) for each Fiscal Year thereafter.