

RESOLUTION NUMBER 3968

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2001-1 (MAY FARMS) OF THE CITY OF PERRIS DETERMINING THE NECESSITY TO INCUR BONDED INDEBTEDNESS IN AN AMOUNT NOT TO EXCEED \$13,725,000 WITHIN IMPROVEMENT AREA NO. 6 OF THE DISTRICT; APPROVING A JOINT COMMUNITY FACILITIES AGREEMENT; AND CALLING A SPECIAL ELECTION

WHEREAS, the City Council (the “Council”) of the City of Perris has heretofore adopted its Resolution Number 2950 on May 28, 2002 (“Formation Resolution”), forming Community Facilities District No. 2001-1 (May Farms) of the City of Perris (the “District”), which District is comprised of Improvement Area Nos. 1 through 7; and

WHEREAS, the Council has heretofore adopted its Resolution Number 3361 on January 11, 2005 (“Resolution of Change”), adopting certain changes within Improvement Area Nos. 4 through 7 of the District; and

WHEREAS, the Council of the City of Perris, California (the “City”), has heretofore adopted its resolution of consideration on March 13, 2007 (the “Resolution of Consideration”), stating its intention to propose certain changes within Improvement Area No. 6 (“Improvement Area No. 6”) of the District, including (i) changes to the description of the fees and facilities to be financed by Improvement Area No. 6 as described in the Resolution of Consideration; (ii) changes to the maximum bonded indebtedness for Improvement Area No. 6; and (iii) changes to the special tax and the rate and method of apportionment of the special tax for Improvement Area No. 6 included in the Resolution of Change and prior proceedings (collectively, the “Changes”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the “Act”); and

WHEREAS, a copy of the Resolution of Consideration, incorporating the Changes, including the amended special taxes to be levied within Improvement Area No. 6 of the District to be used to pay principal and interest on bonds, the proceeds of which will be applied to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto and the payment of development impact and other fees of public agencies, all as described therein (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”), is on file with the City Clerk and incorporated herein by reference; and

WHEREAS, the City Council of the City has heretofore adopted its resolution of intention to incur bonded indebtedness on March 13, 2007 (the “Resolution of Intention to Incur

Bonded Indebtedness”), stating its intention to incur bonded indebtedness in an amount of not to exceed \$13,725,000 within Improvement Area No. 6 of the District; and

WHEREAS, a copy of the Resolution of Intention to Incur Bonded Indebtedness is on file with the City Clerk; and

WHEREAS, the Resolution of Consideration and the Resolution of Intention to Incur Bonded Indebtedness set forth April 24, 2007, as the date of a public hearing on the proposed changes; and

WHEREAS, on April 24, 2007, this Council held noticed hearings as required by law relative to the proposed Changes within Improvement Area No. 6 of the District; and

WHEREAS, at said hearings all persons not exempt from the special tax desiring to be heard on all matters pertaining to proposed Changes within Improvement Area No. 6 of the District were heard and full and fair hearings were held; and

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

WHEREAS, the proposed Changes and special tax to be levied upon property within Improvement Area No. 6 of the District to pay principal and interest on the bonds proposed to be issued within the District has not been precluded by protest of the owners of one-half (1/2) or more of the area of land within Improvement Area No. 6 of the District; and

WHEREAS, a Joint Community Facilities Agreement ("Val Verde JCFA"), by and among the City, on behalf of the District, Val Verde School District and KB Home Coastal, Inc., describing certain school fees to be funded by the District, is on file with the Clerk of the City and was presented to this Council for approval; and

WHEREAS, pursuant to Section 53316.2 of the Act, a community facilities district is authorized to finance facilities to be owned or operated by a public entity other than the agency that created the community facilities district pursuant to a joint community facilities agreement; and

WHEREAS, the Council has reviewed the Report on the Changes submitted herewith; and

WHEREAS, this Council wishes to present to the qualified electors of Improvement Area No. 6 a combined proposition to: (1) levy special taxes on property within Improvement Area No. 6 of the District; (2) incur bonded indebtedness to finance the Facilities; and (3) establish an appropriations limit for Improvement Area No. 6 of the District;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris, Acting as the Legislative Body of Community Facilities District No. 2001-1 (May Farms) of the City of Perris, California, as follows:

Section 1. The above recitals are true and correct.

Section 2. Written protests against the changes within Improvement Area No. 6 of the District, or against the furnishing of specified services or facilities or the levying of a specified special tax or the proposed bonded indebtedness within Improvement Area No. 6 of District, have not been filed by fifty percent (50%) or more of the registered voters or property owners of one-half (1/2) or more of the area of land within Improvement Area No. 6 of the District.

Section 3. The Council hereby deems that the public convenience and necessity require and it is necessary to incur bonded indebtedness in a maximum aggregate principal amount not to exceed \$13,725,000 within Improvement Area No. 6 of the District for the purpose of financing all or a portion of the Facilities more particularly described as set forth in that certain Report filed with the City Council for Improvement Area No. 6 of the District.

Section 4. The Amended and Restated Rate and Method of Apportionment of the special tax with respect to Improvement Area No. 6 set forth in Exhibit A (herein referred to as "Exhibit A") is hereby approved.

Section 5. The purpose of the proposed bonded indebtedness within Improvement Area No. 6 of the District is generally described as follows: to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of the Facilities, which Facilities have a useful life of five years or longer and the payment of development, impact and other fees of public agencies; and (2) the Incidental Expenses.

Section 6. Except for property within Improvement Area No. 6 of the District that is exempt, wholly or partially, from the levy of the special taxes specified in the applicable Rate and Method of Apportionment of Special Tax attached hereto as Exhibit "A", as modified from the Resolution of Consideration, the whole of the property within Improvement Area No. 6 of the District shall pay for the applicable bonded indebtedness pursuant to the levy of the special tax authorized by the Resolution of Consideration and the resolution of change to be adopted within such Improvement Area following the election.

Section 7. The maximum term of the bonds or any series thereof to be issued shall in no event exceed forty (40) years.

Section 8. The bonds or any series thereof shall bear interest at a rate not to exceed the greater of twelve percent (12%) per annum or the maximum interest rate permitted by law, payable semiannually, with the actual rates and times of payment to be determined at the time of sale thereof.

Section 9. Pursuant to and in compliance with the provisions of Article 1.5 (commencing with Section 53410) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, the Council hereby establishes the following accountability measures pertaining to any bonded indebtedness incurred by or on behalf of the District:

- A. Such bonded indebtedness shall be incurred for the specific purposes set forth in Sections 3 and 5 above.
- B. The proceeds of any such bonded indebtedness shall be applied only to the specific purposes identified in Section 3 and 5 above.
- C. The documents establishing the terms and conditions for the issuance of any such bonded indebtedness shall provide for the creation of an account or accounts into which the proceeds of such bonded indebtedness and special taxes shall be deposited.
- D. The City Manager, Assistant City Manager or Finance Director, or his designee, acting for and on behalf of the City, shall annually file a report with the City Council as required by Government Code Section 53411.

Section 10. The Council hereby approves the Val Verde JCFA substantially in the form on file with the City Clerk, with such changes as may be approved by the City Manager or Assistant City Manager, said officers' signatures to be conclusive evidence of approval of such changes. The Mayor or City Manager or Assistant City Manager (each an "Authorized Officer") and the other officers and staff of the City of Perris and the District responsible for the fiscal affairs of the District are hereby authorized and directed to take any actions to execute and deliver the Val Verde JCFA. The agreements may also be signed by the City Clerk or a duly appointed Deputy City Clerk. The Council hereby finds and declares that the Val Verde JCFA will be beneficial to the residents of the City.

Section 11. Pursuant to Government Code Section 53353.5, the Council hereby submits to the qualified electors of Improvement Area No. 6 of the District a combined proposition ("Proposition A") to: (1) levy special taxes on property within the District in accordance with the rate and method of apportionment with respect to Improvement Area No. 6 specified in the Resolution of Consideration and herein; (2) incur bonded indebtedness in the maximum aggregate principal amount of \$13,725,000 within Improvement Area No. 6 of the District to fund the Facilities and Incidental Expenses as described in the Resolution of Consideration; and (3) establish an appropriations limit as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for Improvement Area No. 6 of the District. Said appropriations limit shall equal the amount of all proceeds of the special taxes within Improvement Area No. 6 collected annually and as defined by said Article XIII B, as adjusted for changes in the cost of living and changes in population. The Propositions with respect to Improvement Area No. 6 of the District are attached hereto as Exhibit "B."

Section 12. The proposed special tax to be levied in the District to pay for all the proposed facilities has not been precluded by protests by owners of one-half or more of the land in the territory included in the District pursuant to Government Code Section 53324.

Section 13. The Report, as now submitted, is hereby approved and is made a part of the record of the hearing, and is ordered kept on file with the transcript of these proceedings and open for public inspection.

Section 14. If special taxes of Improvement Area No. 6 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 "A" hereto; and (iii) under no circumstances will such special tax be increased more than ten percent (10%) as a consequence of delinquency or default by the owner of any other parcels within Improvement Area No. 6 of the District.

Section 15. The special tax within Improvement Area No. 6 of the District is based on the expected demand that each parcel of real property within Improvement Area No. 6 of the District will place on the Facilities, on the benefit that each parcel derives from the right to access the Facilities, and on other factors. The Council hereby determines the rate and method of apportionment of the special tax set forth in Exhibit "A" to be reasonable. The special tax within Improvement Area No. 6 of the District is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act, and such special tax is not based upon the value or ownership of real property. In the event that a portion of the property within Improvement Area No. 6 of the District shall become for any reason exempt, wholly or partially, from the levy of the special tax specified on Exhibit "A", the Council shall, on behalf of the District, cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Exhibit "A" to the extent necessary upon the remaining property within Improvement Area No. 6 of the District which is not delinquent or exempt, in order to yield the special tax revenues required for the purposes described herein. The obligation to pay special taxes may be prepaid as set forth in Exhibit "A."

Section 16. A special election is hereby called for Improvement Area No. 6 of the District on the Propositions set forth in Section 11, hereinabove.

Section 17. The Clerk shall hand deliver or mail the ballots to the landowner on April 24, 2007.

Section 18. The time for notice having been waived by all of the qualified electors, the date of the special election for Improvement Area No. 6 of the District on the combined Propositions shall be on the 24th day of April, 2007. The voter ballot shall be returned to the City Clerk at 101 North "D" Street, Perris, California 92570, no later than 6:00 p.m. on April 24, 2007.

Section 19. The Council finds and determines that there were no registered voters residing within the territory of Improvement Area No. 6 of the District at the time of the protest hearing and ninety (90) days prior thereto, and that there is only one landowner in the District, and hence, within Improvement Area No. 6 of the District. The requirements of Section 53326 of the Government Code having been waived by the landowner, the ballots for the special election shall be personally delivered or mailed to the landowner within Improvement Area No. 6 of the District.

Section 20. Notice of said election and written arguments for or against the measures have been waived by the landowner.

Section 21. Improvement Area No. 6 of the District shall constitute a single election precinct for the purpose of holding said election.

Section 22. The Council hereby directs that the election be conducted by the City Clerk of the City of Perris, as the elections official.

Section 23. The City Clerk shall certify the adoption of this Resolution.

ADOPTED, SIGNED and APPROVED this 24th day of April, 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 3968 was duly and regularly adopted by the City Council of the City of Perris, acting as the legislative body of Community Facilities District No. 2001-1 (May Farms) of the City of Perris, at a regular meeting thereof held the 24th day of April, 2007, and that it was so adopted by the following called vote:

AYES: Rogers, Landers, Motte, Busch

NOES:

ABSENT:

ABSTAIN: Yarbrough

City Clerk, Judy L. Haughney

EXHIBIT “A-1”
(RESOLUTION NUMBER 3968)

CITY OF PERRIS
COMMUNITY FACILITIES DISTRICT NO. 2001-1
(MAY FARMS)

***SECOND AMENDED AND RESTATED RATE AND METHOD OF
APPORTIONMENT FOR IMPROVEMENT AREA NO. 6***

A Special Tax shall be levied on all Taxable Property in Improvement Area No. 6 of the City of Perris Community Facilities District No. 2001-1 and collected each Fiscal Year commencing in Fiscal Year 2007-2008 according to the tax liability determined by the Council, through the application of the rate and method of apportionment of the Special Tax set forth below. All Taxable Property shall be taxed to the extent and in the manner herein provided.

I. 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, or other recorded County parcel map. The square footage of an Assessor’s Parcel is equal to the Acreage of such parcel multiplied by 43,560.

“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 IA No. 6: (i) the costs of computing the IA No. 6 Special Taxes; (ii) the costs of preparing the annual IA No. 6 Special Tax collection schedules (whether by the City or designee thereof or both); (iii) the costs of collecting the IA No. 6 Special Taxes (whether by the City, the County or otherwise); (iv) the costs of remitting the IA No. 6 Special Taxes to the Trustee; (v) the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; (vi) the costs to the City, CFD No. 2001-1, or any designee thereof complying with arbitrage rebate requirements; (vii) the costs to the City, CFD No. 2001-1, or any designee thereof complying with disclosure requirements of the City or CFD No. 2001-1, associated with applicable Federal and State securities laws and the Act; (viii) the costs to the City, CFD No. 2001-1, or any designee thereof related to an appeal of the IA No. 6 Special Tax; (ix) the costs associated with the release of funds from an escrow account; and (x) 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. 2001-1 for any other administrative purposes of IA No. 6, including attorney’s

fees and other costs related to commencing and pursuing any foreclosure of delinquent IA No. 6 Special Taxes.

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

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

“Assigned Special Tax” means, as determined in accordance with Section III below, the Special Tax for each Land Use Class of Developed Property in Zone 1 (as shown in Table 1) and in Zone 2 (as shown in Table 2),

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section III below.

“Bonds” means any bonds or other indebtedness (as defined in the Act) of CFD No. 2001-1 for Improvement Area No. 6, whether in one or more series, secured by the levy of Special Taxes.

“CFD No. 2001-1” means Community Facilities District No. 2001-1 of the City.

“CFD Administrator” means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and for levying and collecting the Special Taxes.

“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 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 Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction or renovations was issued prior to April 1 of the previous Fiscal Year.

“Final Subdivision” means a subdivision of property created by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410, *et seq.*) or recordation of a condominium plan pursuant to California Civil Code 1352 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.

“Improvement Area No. 6” or “IA No. 6” means Improvement Area No. 6 of CFD No. 2001-1, as identified on the amended boundary map for CFD No. 2001-1 as amended.

“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 and Table 2.

“Lot” means an individual legal lot created by a Final Subdivision map for which a building permit for residential construction has or may be issued.

“Market Study” means a comparative market analysis performed on behalf of the City in conjunction with the issuance of the first series of Bonds.

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

“Non-Residential Property” means all Developed Property for which a building permit(s) was issued for a non-residential use.

“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 VI.

“Property Owner Association Property” means any property within the boundaries of IA No. 6 owned in fee, dedicated to or subject to an easement benefiting a property owner association, including any master or sub-association.

“Property Tax Burden” means the total estimated amount of property taxes an owner of a residential dwelling unit would expect to pay for such residential dwelling unit in a Fiscal Year, including *ad valorem* property taxes, Assigned Special Tax for IA No. 6, and other special assessments, fees and charges placed on the County property tax bill (but excluding homeowner association dues, property owner association dues, or other non-governmental charges), expressed as a percentage of the expected sales prices of the residential dwelling unit based on the Market Study.

“Proportionately” or “Proportionate” means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned 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 IV 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 IX, 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 IX.

“Public Property” means any property within the boundaries of IA No. 6 the ownership of which is transferred to a public agency on or after the date of formation of CFD No. 2001-1 and is used for rights-of-way or any other purpose and is owned by or dedicated 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 Floor Area” 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 Residential Floor Area shall be made by reference to the initial building permit(s) issued for such Assessor’s Parcel.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more Residential Units.

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

“Resolution of Issuance” means the Resolution passed by the Council authorizing the issuance of bonds.

“Resolution of Change” means the Resolution passed by the Council authorizing and approving this Second Amended and Restated Rate and Method of Apportionment.

“Special Tax” means any tax levied within IA No.6 of the CFD pursuant to the Act and this Second Amended and Restated Rate and Method of Apportionment of Special Tax.

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

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay 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 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 IA No. 6 which are not exempt from the levy of the Special Tax pursuant to law or Section IX below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property within IA No. 6 that are not exempt from the levy of Special Tax pursuant to Section IX below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt from the levy of Special Tax pursuant to Section IX 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, Taxable Property Owner Association Property, or Taxable Public Property.

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

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

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

II. CLASSIFICATION OF PARCELS

Each Fiscal Year, each Assessor's Parcel within IA 6 shall be assigned to Zone 1 or Zone 2 in accordance with Exhibit A to this Second Amended and Restated Rate and Method of Apportionment, and each Assessor's Parcel shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property within IA No. 6 shall be classified as Developed Property, Taxable Property Owner Association Property, Taxable Public Property, or Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections III and IV below. Assessor's Parcels of Developed Property shall be classified as Residential Property or Non-Residential Property. Assessor's Parcels of Residential Property shall be further classified to its applicable Land Use Class based on its Residential Floor Area.

III. MAXIMUM SPECIAL TAX RATES

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Residential Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax. The Maximum Special Tax for each Assessor's Parcel classified as Non-Residential Property in any Fiscal Year shall be the Assigned Special Tax in Table 1 for Zone 1 and Table 2 for Zone 2 below.

(b). Assigned Special Tax

The Assigned Special Tax applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2007-2008 shall be determined pursuant to Table 1 for Zone 1 and Table 2 for Zone 2 below.

TABLE 1

**Assigned Special Taxes for Developed Property
Improvement Area No. 6, Zone 1
Fiscal Year 2007-2008**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	1,900 sq. ft. or less	\$2,397 per Residential Unit
2	Residential Property	1,901 sq. ft. to 2,200 sq. ft.	\$2,510 per Residential Unit
3	Residential Property	2,201 sq. ft. to 2,500 sq. ft.	\$2,622 per Residential Unit
4	Residential Property	2,501 sq. ft. to 2,800 sq. ft.	\$2,778 per Residential Unit
5	Residential Property	2,801 sq. ft. or greater	\$2,876 per Residential Unit
6	Non-Residential Property	N/A	\$19,457 per Acre

TABLE 2

**Assigned Special Taxes for Developed Property
Improvement Area No. 6, Zone 2
Fiscal Year 2007-2008**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	1,900 sq. ft. or less	\$1,977 per Residential Unit
2	Residential Property	1,901 sq. ft. to 2,200 sq. ft.	\$2,075 per Residential Unit
3	Residential Property	2,201 sq. ft. to 2,600 sq. ft.	\$2,153 per Residential Unit
4	Residential Property	2,601 sq. ft. to 2,800 sq. ft.	\$3,023 per Residential Unit
5	Residential Property	2,801 sq. ft. or greater	\$3,121 per Residential Unit
6	Non-Residential Property	N/A	\$15,377 per Acre

On July 1st of each Fiscal Year, commencing July 1, 2008, the Assigned Special Tax in Table 1 and Table 2 for each Land Use Class shall increase by two-percent (2.0%) of the amount in effect in the prior Fiscal Year.

(c). Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each Land Use Class as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

(d). Backup Special Tax

Each Fiscal Year, each Assessor's Parcel of Residential Property shall be subject to a Backup Special Tax. Each Zone's Backup Special Tax rate for Residential Property within a Final Subdivision shall be the rate per Lot calculated according to the following formula:

$$B = \frac{Z \times A}{L}$$

The terms above have the following meanings:

B = Backup Special Tax per Assessor's Parcel for the applicable Fiscal Year

Z = Maximum Special Tax for Undeveloped Property for the applicable Fiscal Year and Zone

A = Acreage of Taxable Property, excluding Taxable Public Property or Taxable Property Owner Association Property in such Final Subdivision that lie within the boundaries of each Zone of IA No. 6, as determined by the CFD Administrator pursuant to Section IX

L = Total Lots within the Final Subdivision that lie within the boundaries of the Zone

If a Final Subdivision includes Assessor Parcels for which building permits for both residential and non-residential construction may be issued, then the Backup Special Tax for each Assessor's Parcel of Residential Property within such Final Subdivision area shall be computed by the CFD Administrator exclusive of the allocable portion of total Acreage of Taxable Property attributable to Assessor Parcels for which building permits for non-residential construction may be issued.

Except as provided below (and except for the 2% annual increase), once a Final Subdivision is recorded, the Backup Special Tax for each Assessor's Parcel within such Final Subdivision shall be fixed and shall not be recalculated. Notwithstanding the foregoing, if Assessor's Parcels of Residential Property are subsequently changed or modified by recordation of a subsequent Final Subdivision, then the Backup Special Tax as previously determined will be applied to the unchanged Lots and a Revised Backup Special Tax shall be recalculated to equal the amount of the Backup Special Tax that would have been generated if such change did not take place and applied to the Lots that are part of the changed or modified area based on the following formula:

$$R = \frac{C}{N}$$

The terms above have the following meanings:

R = Revised Backup Special Tax per Assessor's Parcel that applies to the changed or modified lots in a Final Subdivision.

C = Backup Special Tax applicable to the changed or modified lots in a Final Subdivision prior to the change or modification.

N = Total number of Lots of Residential Property created through the change or modification of the Final Subdivision.

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

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property for Fiscal Year 2007-2008 shall be determined by reference to the table below.

Zone	Maximum Special Tax
Zone 1	\$19,457 per Acre
Zone 2	\$15,377 per Acre

On July 1st of each Fiscal Year Commencing July 1, 2008, the Maximum Special Tax within each Zone for Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall increase by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

IV. APPORTIONMENT OF SPECIAL TAX

For each Fiscal Year the Council shall determine the Special Tax Requirement and levy the Special Tax, until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

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

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

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's

Parcel of Residential Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property or Taxable Public Property at up to 100% of the Maximum Special Tax for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 6, except for those Residential Properties whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within IA No. 6.

V. MANNER OF COLLECTION

Collection of the Special Tax shall be by the County in the same manner as ordinary *ad valorem* property taxes are collected and the 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 in the Indenture or in the Resolution of Issuance 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.

VI. DISCHARGE 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 definition applies to this Section VI:

“CFD Public Facilities Costs” means either \$9,936,372 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 by IA No. 6 under the authorized Mello-Roos financing program for CFD No. 2001-1, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more IA No. 6 Bonds (except refunding bonds) to be supported by Special Taxes.

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

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

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

“Previously Issued Bonds” means all IA No. 6 Bonds that have been issued prior to the date of prepayment.

1. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel in IA No. 6 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 IA No. 6 Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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, compute the Assigned Special Tax and Backup Special Tax. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup 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. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Taxes for IA No. 6 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of IA No. 6 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the total estimated Backup Special Taxes at build-out for IA No. 6, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) 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 larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment

until the 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 IA No. 6, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming IA No. 6, 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 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 larger quotient computed pursuant to paragraph 3(a) or 3(b) 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, 10, 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. 2001-1.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of IA No. 6 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 IA No. 6 Bonds to be used with the next prepayment of IA No. 6 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 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.

2. Prepayment in Part

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

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section VI.1.

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

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 thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section VI.1., and (ii) indicate in the records of CFD No. 2001-1 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 IV.

VII. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of the first series of Bonds, the Property Tax Burden shall be calculated pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of the adoption of the Resolution of Change (the "Goals and Policies") on Developed Property by the CFD Administrator. The Assigned

Special Tax and Backup Special Tax for each Land Use Class set forth in Section III of this Second Amended and Restated Rate and Method of Apportionment shall be permanently reduced if it is reasonably determined by the CFD Administrator that the Property Tax Burden of any Residential Unit within such Land Use Class exceeds the maximum rate stated in the Goals and Policies. In such a case, the CFD Administrator shall take the following steps:

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

Step 2: For any Land Use Class of Residential Property set forth in Table 1 or Table 2 for which the Property Tax Burden exceeds the maximum rate stated in the Goals and Policies, the Assigned Special Tax within the subject Land Use Class shall be permanently reduced so that the highest Property Tax Burden within such Land Use Class equals the rate set forth in the Goals and Policies.

Step 3: The CFD Administrator shall determine the sum of the reduced Assigned Special Tax as calculated in Step 2 multiplied by the expected number of Residential Units within each Land Use Class expected to be developed within IA No. 6 at build-out (“Estimated Annual Special Tax Revenues”). The Assigned Special Tax for Non-Residential Property and the Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property and Undeveloped Property shall be reduced to an amount equal to the Estimated Annual Special Tax Revenues divided by the minimum taxable Acres set forth in Section IX.

Step 4: If the Mandatory Special Tax Reduction is implemented, then Table 1 and Table 2, as applicable, shall be modified and the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Assigned Special Taxes and Backup Special Taxes on Residential Property, the lower Assigned Special Taxes on Non-Residential Property, and the lower Maximum Special Taxes on Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property.

VIII. TERM OF “SPECIAL TAX”

The Special Tax shall be levied annually for a period not to exceed the 2047-2048 Fiscal Year commencing with Fiscal Year 2007-2008, provided, however, that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined that all required interest and principal payments on the IA No. 6 Bonds have been paid. The Special Tax shall not be levied on any Assessor’s Parcel that has prepaid in full its Special Tax Obligation.

IX. EXEMPTIONS

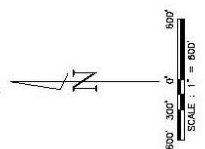
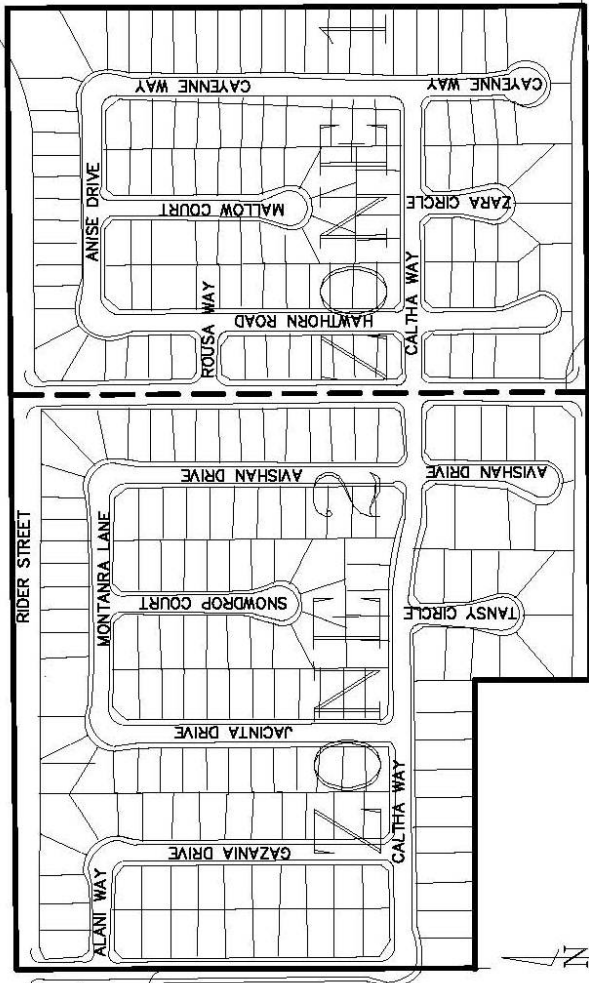
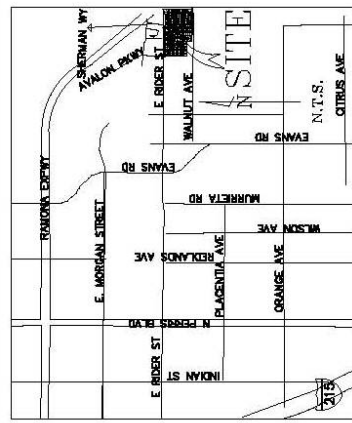
The Council shall classify as Exempt Property (i) Assessor’s Parcels owned by the State

of California, Federal or other local governments, (ii) 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, (iii) Assessor's Parcels used exclusively by a homeowner's association, or (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the Council, provided that no such classification would reduce the sum of all Taxable Property in IA No. 6 to less than 17.14 acres of Acreage for Zone 1 and 22.98 acres of Acreage for Zone 2. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA No. 6 to less than 17.14 acres of Acreage for Zone 1 and 22.98 acres of Acreage for Zone 2 shall be classified as Provisional Undeveloped Property, and will continue to be subject to the IA No. 6 Special Taxes accordingly. Special Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property.

The Maximum Special Tax obligation for any property which would be classified as Public Property upon its transfer or dedication to a public agency, but which is classified as Provisional Undeveloped Property pursuant to the first paragraph of this Section IX above, shall be prepaid in full by the seller pursuant to Section VI, prior to the transfer/dedication of such property to such public agency. Until the Special Tax Obligation for any such Public Property is prepaid, the property shall continue to be subject to the levy of the Special Tax as Provisional Undeveloped 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 IX 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.

EXHIBIT A
 MAP OF ZONES OF
 COMMUNITY FACILITIES DISTRICT NO. 2001-1 (MAY FARMS)
 IMPROVEMENT AREA NO. 6
 CITY OF PERRIS



KOPPEL & GRUBER
 PUBLIC ENGINEERS & ARCHITECTS
 2524 Via Verde Cir
 Suite 205 Perris, California 92378
 Phone (760) 837-0890 Fax (760) 610-0888

MARCH 2007

EXHIBIT "B"
(RESOLUTION NUMBER 3968)

OFFICIAL BALLOT

IMPROVEMENT AREA NO. 6 OF
COMMUNITY FACILITIES DISTRICT NO. 2001-1 (MAY FARMS)
OF THE CITY OF PERRIS

SPECIAL BOND, TAX AND APPROPRIATIONS LIMIT ELECTION
April 24, 2007

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

This ballot is provided to _____, as sole owner or authorized representative of such sole owner of ___ acres of land within Improvement Area No. 6 of Community Facilities District No. 2001-1 (May Farms) of the City of Perris and represents ___ votes.

If you wrongly mark, tear, or deface this ballot, return it to the City Clerk of the City of Perris at 101 North "D" Street, Perris, California 92570.

PROPOSITION A: Shall Improvement Area No. 6 of Community Facilities District No. 2001-1 (May Farms) of the City of Perris incur an indebtedness and be authorized to issue bonds in the maximum aggregate principal amount of \$13,725,000 with interest at a rate or rates established at such time as the bonds are sold in one or more series at fixed or variable interest rates, however not to exceed any applicable statutory rate for such bonds, the proceeds of which will be used to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property, including all furnishings, equipment and supplies related thereto and the payment of development, impact and other fees of public agencies, all as described therein (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, changing and administering the District (the "Incidental Expenses"), as such Facilities and Incidental Expenses are described in Resolution of Consideration of the City Council of the City of Perris, adopted on March 13, 2007 (the "Resolution"); and shall a Special Tax be levied to pay the principal of and interest on such indebtedness and bonds and to pay directly the cost of acquisition and construction of Facilities and Incidental Expenses as authorized in the Resolution calling this election adopted on April 24, 2007; and shall an appropriations limit be established for Improvement Area No. 6 of Community Facilities District No. 2001-1 (May Farms) of the City of Perris pursuant to Article XIII B of the California Constitution, said appropriations limit to be equal to the amount of all proceeds of the special tax collected annually, as adjusted for changes in the cost of living and changes in population?

YES

NO

[Appropriate Signature and Property Description]