

RESOLUTION NUMBER 3970

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AUTHORIZING THE CHANGES TO THE FACILITIES AND SPECIAL TAXES WITHIN IMPROVEMENT AREA NO. 6 OF COMMUNITY FACILITIES DISTRICT NO. 2001-1 (MAY FARMS) OF THE CITY OF PERRIS; AND TAKING CERTAIN OTHER ACTIONS RELATING TO SAID DISTRICT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), on March 13, 2007, has heretofore adopted its resolution of consideration (the “Resolution of Consideration”) stating its intention to make certain changes within Improvement Area No. 6 (the “Improvement Area No. 6”) of Community Facilities District No. 2001-1 (May Farms) of the City of Perris (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the “Act”) being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California; and

WHEREAS, the changes to Improvement Area No. 6 of the District include (i) changes to the description of the facilities to be financed by Improvement Area No. 6; (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 (the “Changes”); and

WHEREAS, a copy of the Resolution of Consideration, incorporating a description of the boundaries of Improvement Area No. 6 of the District, setting forth the rate and method of apportionment and manner of collection of the special tax to be levied within Improvement Area No. 6 of the District, and describing the facilities authorized to be financed in Improvement Area No. 6 is on file with the City Clerk and incorporated herein by reference with such changes to the terms thereof, including, but not limited to, revisions to the rate and method of apportionment of the special tax as have been made and submitted with the Resolution of Consideration and the Resolution Calling Special Elections (as defined hereafter); and

WHEREAS, the City Council has heretofore received a request from the landowners (“Owners”) of all the property within Improvement Area No. 6 of the District, requesting certain changes to the amount of bonded indebtedness and the maximum special taxes within Improvement Area No. 6; and

WHEREAS, a report by each City officer who is or will be responsible for Improvement Area No. 6 of the District (the “Report”), has been filed with the Council pursuant to the Resolution of Consideration; and

WHEREAS, the Resolution of Consideration set April 24, 2007, as the date of the public hearings on the changes within Improvement Area No. 6 of the District; and

WHEREAS, at said hearings all persons within Improvement Area No. 6 and not exempt from the special tax desiring to be heard on all matters pertaining to the 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 the Council on said matters before it, and this Council at the conclusion of said hearings is fully advised in the premises; and

WHEREAS, following such public hearings, this Council adopted a resolution determining necessity to incur bonded indebtedness within each of Improvement Area No. 6 and calling a special election to be held within each of Improvement Area No. 6 (the "Resolution Calling Special Elections"); and

WHEREAS, on April 24, 2007, an election in Improvement Area No. 6 on the proposition identified in the Resolution Calling Special Elections was duly held; and

WHEREAS, following such elections, this Council adopted a resolution declaring the results of the special elections, wherein this Council determined that the propositions within Improvement Area No. 6 were approved by more than two-thirds of the qualified electors within such Improvement Area No. 6 ("Resolution Declaring Results");

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

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

Section 2. Pursuant to Section 53325.1(b) of the Government Code, the Council finds and determines that the proceedings prior hereto were valid and in conformity with the requirements of the Act, including, without limitation, the following:

- A. Filing of a petition of a landowner requesting institution of change proceedings to the District;
- B. Adoption of a Resolution of Consideration regarding the changes to Improvement Area No. 6 of the District;
- C. Adoption of a Resolution of Intention to Incur Bonded Indebtedness in an amount not to exceed \$13,725,000 within Improvement Area No. 6 of the District;
- D. Publication and mailing of notice of public hearings on the changes to Improvement Area No. 6 of the District and of the proposed debt issue;
- E. Conducting of public hearings on the changes to the District, the proposed public facilities and the incurring of the proposed debt, at

which time all interested persons or taxpayers not exempt from the special tax within Improvement Area No. 6 of the District were permitted to protest orally or in writing against the changes to Improvement Area No. 6 of the District, were permitted to file written protests to the regularity or sufficiency of the proceedings, and any person interested, including persons owning property within Improvement Area No. 6 of the District, were permitted to appear and present any matters material to the questions set forth in the Resolution of Intention to Incur Bonded Indebtedness.

- F. Adoption of a Resolution Calling Special Elections.
- G. Holding of Special Elections within Improvement Area No. 6 on the proposition of approving the Changes.
- H. Adoption of the Resolution Declaring Results.

Section 3. The Report, as submitted, has been approved and is made a part of the record of the hearing.

Section 4. The description and map of the boundaries of the District on file in the City Clerk's office has been recorded in the Office of the County Recorder of Riverside County, California, as Document No. 2004-1015218 in Book 60, Page 21-22 of the Books of Maps of Assessment and Community Facilities Districts.

Section 5. The type of public facilities and fees ("Facilities") authorized to be provided within Improvement Area No. 6 of the District include certain real and other tangible property with an estimated useful life of five years or longer, including public infrastructure facilities, and other governmental facilities which the City is authorized by law to construct, own or operate, within or without the District, which is necessary to meet increased demands placed upon the City as result of development or rehabilitation occurring within the District. The Facilities are more fully described in Exhibit "B" attached hereto and by this reference incorporated herein.

Section 6. Except where funds are otherwise available, there shall be levied annually in accordance with procedures contained in the Act a special tax within Improvement Area No. 6 of the District, secured by recordation of a continuing lien against all nonexempt real property in the District, sufficient to pay for: (i) the Facilities and Incidental Expenses; and (ii) the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Facilities and Incidental Expenses, including the establishment and replenishment of any reserve funds, delinquency funds deemed necessary by the District with respect to Improvement Area No. 6, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash). The revised rate and method of apportionment and manner of collection of the special tax within

the District is described in detail in Exhibit "A" with respect to Improvement Area No. 6 ("Exhibit "A") attached hereto and incorporated herein by this reference.

Section 7. If special taxes of an Improvement Area 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, as a consequence of delinquency or default by the owner of any other parcels within the District, by more than ten percent (10%).

Section 8. The special tax within each Improvement Area of the District is based on the expected demand that each parcel of real property within each Improvement Area 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 each Improvement Area 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 an Improvement Area 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 such Improvement Area 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 9. Pursuant to and in compliance with the provisions of Government Code Section 50075.1, the City Council hereby establishes the following accountability measures pertaining to the levy by the District of the Special Tax with respect to each Improvement Area as described in Section 7 above:

- A. Such Special Tax within each Improvement Area shall be levied for the specific purposes set forth in Section 6 hereof.
- B. The proceeds of the levy of such Special Tax within each Improvement Area shall be applied only to the specific purposes set forth in Section 6 hereof.
- C. Each Improvement Area of the District shall establish an account or accounts into which the proceeds of such Special Tax with respect to such Improvement Area shall be deposited.

- D. The City Manager, Assistant City Manager or Finance Director, or his or her designee, acting for and on behalf of the CFD, shall annually file a report with the City Council as required pursuant to Government Code Section 50075.3.

Section 10. Upon recordation of a notice of the amended special tax lien pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in Improvement Area No. 6 of the District, and this lien shall continue in force and effect until the special tax obligation is prepaid or otherwise permanently satisfied and the lien cancelled in accordance with law or until collection of the tax by Improvement Area No. 6 of the District ceases. The City Clerk is hereby ordered to promptly record an Amended and Restated Notice of Special Tax Lien, in the form approved by the City's bond counsel, for Improvement Area No. 6.

Section 11. The Council finds that the Facilities are necessary to meet the increased demand put upon the City as a result of the development within Improvement Area No. 6 of the District.

Section 12. The Council finds that there is not an *ad valorem* property tax currently being levied on property within Improvement Area No. 6 of the District for the exclusive purpose of paying principal of or interest on bonds or other indebtedness incurred to finance construction of capital facilities which provide the same services to the territory of the Improvement Area No. 6 of District as provided by the Facilities.

Section 13. An appropriation limit for Improvement Area No. 6 of the District is hereby established as an amount equal to all the proceeds of the special tax collected annually and as defined by Article XIII B of the California Constitution, as adjusted for changes in the cost of living and changes in population.

Section 14. Pursuant to Section 53338(b) of the Government Code, the Council finds and determines that the new special taxes and Changes within each Improvement Area of the District are lawfully authorized.

Section 15. Upon adoption of this Resolution, the Clerk of the City shall record the amended notice of special tax lien with respect to Improvement Area No. 6 of the District pursuant to Section 3117.5 of the California Streets and Highways Code (the "Notice of Special Tax Lien"). The Notice of Special Tax Lien with respect to Improvement Area No. 6 described therein shall supercede Document No. 2002-323906, recorded on June 6, 2002, as amended by Document 2005-0056970, recorded on January 21, 2005 (the "Original Lien"), as such Original Lien applies to Improvement Area No. 6, and the City Clerk is hereby authorized to take whatever action is necessary to effectuate the purposes of this Section.

Section 16. The Office of the City Clerk, 101 North "D" Street, Perris, California, or its designee, is designated to be responsible for preparing annually a current roll of special tax levy obligations by assessor's parcel number and for estimating future special tax

levies within Improvement Area No. 6 of the District pursuant to 53340.2 of the Government Code.

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 3970 was duly and regularly adopted by the City Council 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 3970)

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
<u>less</u>	<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

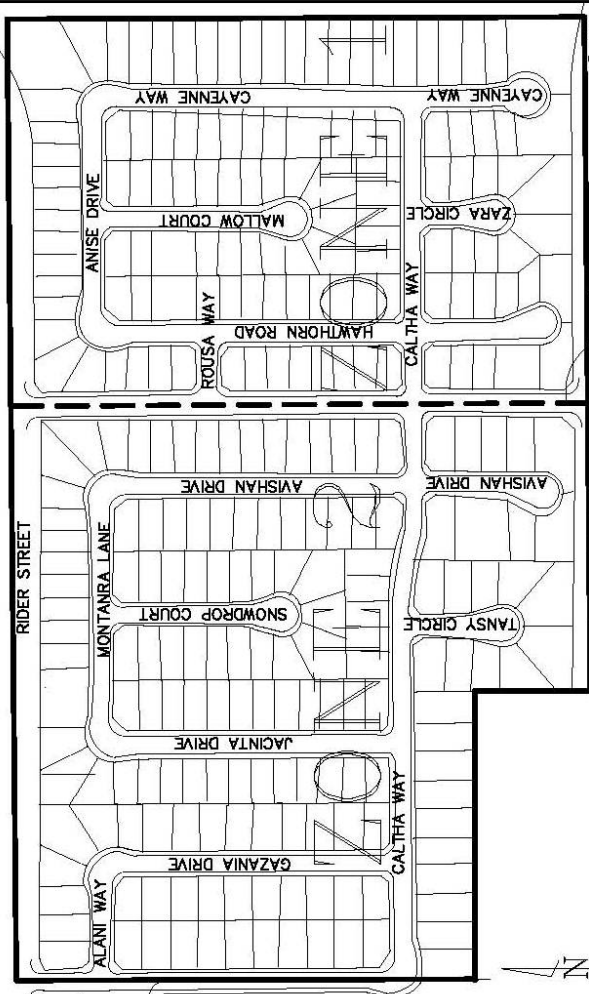
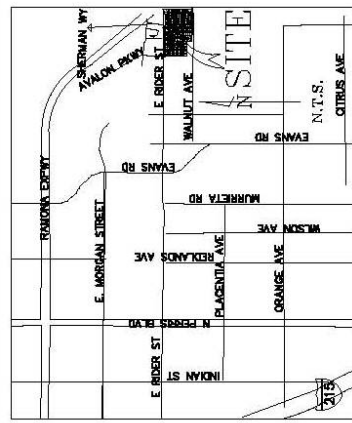
Property, and will continue to be subject to the IA No. 6 Special Taxes accordingly. Special Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes Exempt Property.

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



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MARCH 2007

EXHIBIT “B”
(RESOLUTION NUMBER 3970)

**TYPES OF FACILITIES TO BE FINANCED BY
IMPROVEMENT AREA NO. 6 OF
COMMUNITY FACILITIES DISTRICT NO. 2001-1
(MAY FARMS)**

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;
- Landscaping and common area improvements and appurtenant costs;
- Impact and other fees, including, but not limited to, development fees, TUMF, DIF, MSCHP, 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;
- Mitigation Costs and 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.