

In the opinion of McFarlin & Anderson, Lake Forest, California (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants and agreements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See “LEGAL MATTERS – Tax Exemption” herein.

COUNTY OF RIVERSIDE**STATE OF CALIFORNIA**

\$21,420,000
BEAUMONT FINANCING AUTHORITY
2003 LOCAL AGENCY REVENUE BONDS,
SERIES A

Dated: Date of Delivery**Due: September 1, As Shown Below**

The cover page contains certain information for quick reference only. It is not a summary of the issue. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risks. See “BONDOWNERS’ RISKS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the Bonds.

Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2003, until maturity or earlier redemption (see “THE BONDS - General Provisions” and “THE BONDS - Redemption” herein).

The information contained within this Official Statement was prepared under the direction of the City by the following firm serving as Financing Consultant to the City.



Rod Gunn Associates, Inc.

MATURITY SCHEDULE

\$10,000	3.000%	Term Bond due September 1, 2004, Price 100%
\$1,165,000	4.250%	Term Bond due September 1, 2008, Price 98.804%
\$1,470,000	5.250%	Term Bond due September 1, 2012, Price 98.898%
\$1,355,000	5.500%	Term Bond due September 1, 2015, Price 98.231%
\$3,615,000	6.000%	Term Bond due September 1, 2021, Price 97.281%
\$5,405,000	6.875%	Term Bond due September 1, 2027, Price 99.465%
\$8,400,000	7.000%	Term Bond due September 1, 2033, Price 100%

Proceeds from the Bonds, together with certain other moneys available to the Beaumont Financing Authority (the “Authority”), will be used to acquire on the delivery date of the Bonds, Special Tax Bonds described herein (the “District Bonds”) to be issued under the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the Government Code of the State of California). The Bonds are special obligations of the Authority payable solely from and secured by revenues from repayment of the District Bonds and the Reserve Fund held by the Trustee, and under certain circumstances by any available surplus revenues with respect to other series of bonds issued pursuant to the Indenture as described herein. Repayment of the District Bonds will be from the Special Taxes (as defined herein) to be levied within the City of Beaumont Community Facilities District No. 93-1 Improvement Area Nos. 9, 10A, 12A and 14A as described herein (see “SOURCES OF PAYMENT FOR THE BONDS” and “BONDOWNERS’ RISKS” herein). It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about March 27, 2003 (see “THE BONDS - General Provisions - Book-Entry Only System” herein).

The date of the Official Statement is March 19, 2003.



**BEAUMONT FINANCING AUTHORITY
BEAUMONT, CALIFORNIA**

AUTHORITY BOARD AND CITY COUNCIL

Brian DeForge, *Chairperson and Mayor*
Larry Dressel, *Vice Chairperson and Mayor Pro Tem*
Roger Berg, *Board Member and Council Member*
Jeffery Fox, *Board Member and Council Member*
Placido Valdivia, *Board Member and Council Member*

AUTHORITY AND CITY STAFF

Alan C. Kapanicas, *Authority Executive Director, City Manager,
Finance Director and Deputy City Clerk*
David W. Dillon, *Director of Economic Development*
Martha (Lynn) Chance, *City Clerk*

PROFESSIONAL SERVICES

Bond Counsel

McFarlin & Anderson
Lake Forest, California

Authority Counsel and City Attorney

Aklufi & Wysocki
Riverside, California

Disclosure Counsel

Fulbright & Jaworski L.L.P.
Los Angeles, California

Underwriter's Counsel

Burke, Williams & Sorensen, LLP
Irvine, California

Financing Consultant

Rod Gunn Associates, Inc.
Huntington Beach, California

Special Tax Consultant

General Government Management Services
Rancho Mirage, California

Project Engineer

Urban Logic Consultants
Temecula, California

Market Absorption Study

Empire Economics
Capistrano Beach, California

Appraiser

Harris Realty Appraisal
Newport Beach, California

Trustee

Union Bank of California, N.A.
Los Angeles, California

Underwriter

O'Connor Southwest Securities
Newport Beach, California

FOR ADDITIONAL INFORMATION

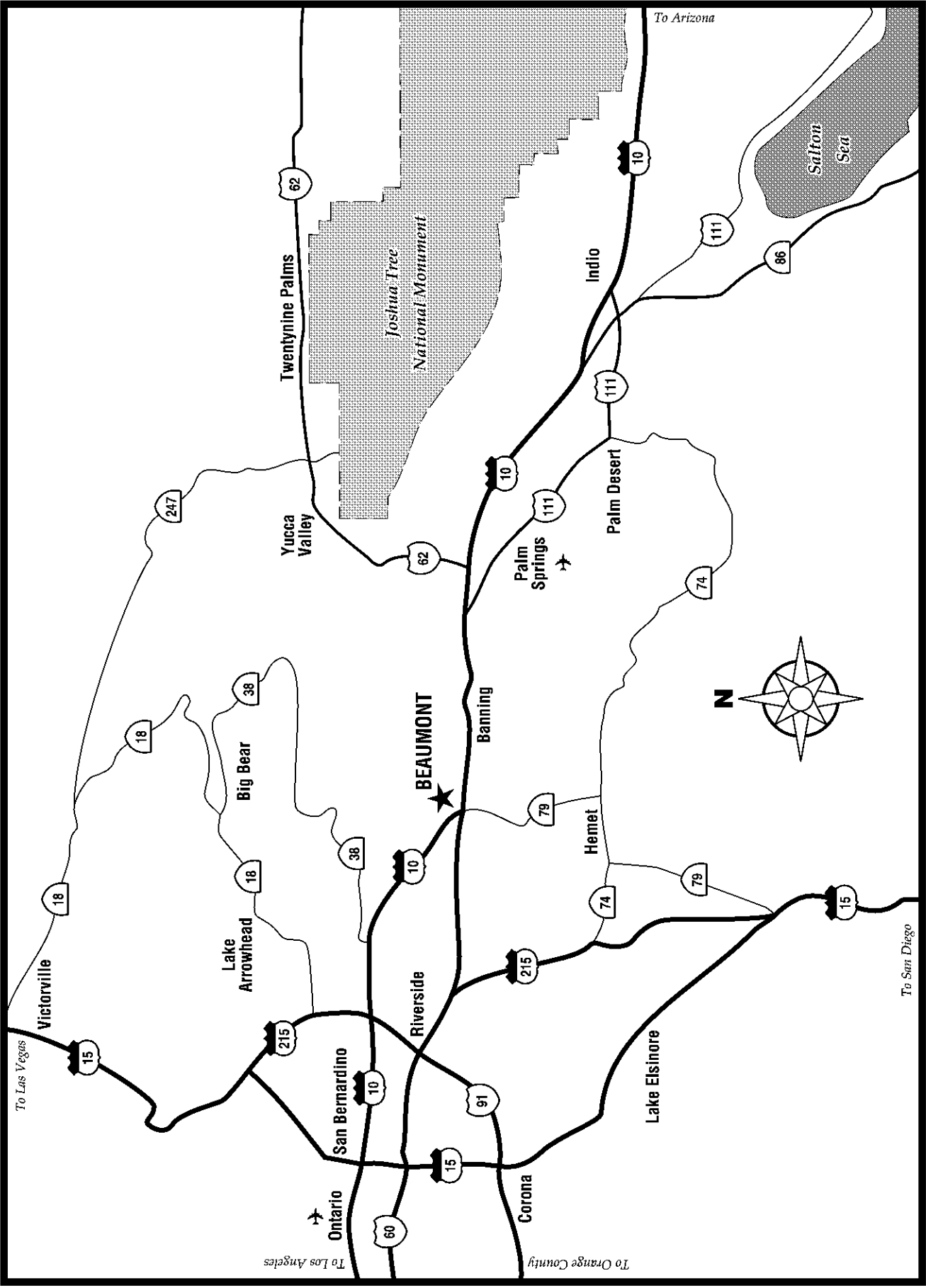
Alan C. Kapanicas, City of Beaumont, California (909) 769-8520
Rod Gunn Associates, Inc. (714) 841-3993
O'Connor Southwest Securities (949) 717-2000

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	SUMMARY OF THE LEGAL DOCUMENTS.....	71
The Issuers	1	THE INDENTURE.....	71
Security and Sources of Repayment	3	Creation of Funds and Accounts.....	71
Purpose	4	Pledge and Assignment; Revenue Fund.....	72
The Refunding Program.....	4	Application of Revenues	72
The Bonds.....	5	Investment of Moneys	73
Legal Matters.....	6	Additional Bonds	74
Professional Services	6	Certain Covenants of the Authority	74
Offering of the Bonds	6	Events of Default.....	76
Information Concerning this Official Statement.....	7	Remedies Upon Event of Default.....	76
SELECTED ESSENTIAL FACTS.....	10	The Trustee	79
THE BONDS.....	14	Modification or Amendment of the Indenture or	
General Provisions.....	14	the District Bonds	80
Authorization	17	Defeasance.....	82
Estimated Sources and Uses of Funds	18	THE DISTRICT INDENTURE.....	84
Investment of Funds	20	Establishment of Funds and Accounts; Flow of	
Redemption.....	20	Funds	84
SOURCES OF PAYMENT FOR THE BONDS	24	Investment of Funds	85
Repayment of the Bonds.....	24	Covenants of the District	85
Repayment of the District Bonds.....	25	Amendment of District Indenture	88
BONDOWNERS' RISKS.....	29	Events of Default.....	89
General.....	29	Duties, Immunities and Liabilities of District	
The Bonds.....	29	Trustee; Merger or Consolidation; Liability of	
The District Bonds.....	30	District Trustee.....	90
THE AUTHORITY	43	Discharge of the District Indenture.....	90
Government Organization.....	43	FINANCIAL INFORMATION	91
THE DISTRICT	44	Authority Accounting Records and Financial	
General Description of the District.....	44	Statements.....	91
Land Use Entitlements and Governmental		Budgetary Process and Administration.....	91
Regulations	46	Rate and Method of Apportionment of Special	
Facilities to be Financed by the District	48	Tax	92
Market Absorption Study.....	50	Delinquencies and Foreclosure Actions.....	103
The Appraisal.....	50	LEGAL MATTERS.....	104
The Improvement Areas.....	52	Enforceability of Remedies	104
Improvement Area No. 9	52	Approval of Legal Proceedings	104
Improvement Area No. 10A.....	53	Tax Exemption.....	104
Improvement Area No. 10A.....	53	Absence of Litigation	106
Improvement Area No. 12A.....	55	CONCLUDING INFORMATION	106
Improvement Area No. 14A.....	58	No Rating on the Bonds.....	106
DEBT STRUCTURE.....	61	Underwriting.....	106
Outstanding Indebtedness.....	61	Experts.....	106
Additional Obligations.....	61	The Financing Consultant.....	106
Direct and Overlapping Debt.....	62	Special Tax Consultant and Project Engineer	107
Scheduled Debt Service on the Bonds.....	66	Additional Information	107
Scheduled Debt Service on the District Bonds –		References	107
Improvement Area No. 9.....	67	Execution.....	107
Scheduled Debt Service on the District Bonds –			
Improvement Area No. 10A.....	68		
Scheduled Debt Service on the District Bonds –			
Improvement Area No. 12A.....	69		
Scheduled Debt Service on the District Bonds –			
Improvement Area No. 14A.....	70		

DEFINITIONS OF CERTAIN TERMS USED IN THE INDENTURE AND THE DISTRICT INDENTURE	A-1
CITY OF BEAUMONT INFORMATION STATEMENT.....	B-1
MARKET ABSORPTION STUDY.....	C-1
APPRAISAL REPORT	D-1
REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 9 OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT.....	E-1
SECOND REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 10A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT.....	F-1
REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 12A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT.....	G-1
REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 14A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT.....	H-1
FORMS OF CONTINUING DISCLOSURE AGREEMENTS	I-1
FORM OF BOND COUNSEL OPINION.....	J-1

City of Beaumont Vicinity Map



[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

\$21,420,000 **BEAUMONT FINANCING AUTHORITY** **2003 LOCAL AGENCY REVENUE BONDS,** **SERIES A**

This Official Statement which includes the cover page and appendices (the “Official Statement”) is provided to furnish certain information concerning the sale of the Beaumont Financing Authority 2003 Local Agency Revenue Bonds, Series A (the “Bonds”), in the aggregate principal amount of \$21,420,000.

INTRODUCTORY STATEMENT

*This Introductory Statement contains only a brief description of this issue and does not purport to be complete. The Introductory Statement is subject in all respects to more complete information in the entire Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Investment in the Bonds involves risks. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds (see “**BONDOWNERS’ RISKS**” herein).*

The Issuers

The Authority. The Beaumont Financing Authority (the “Authority”) is a joint exercise of powers authority organized and existing under and by virtue of the Joint Exercise of Powers Act, constituting Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California (the “Joint Powers Act”). The City of Beaumont (the “City”) pursuant to Resolution No. 1993-20 adopted on April 12, 1993, and the Beaumont Redevelopment Agency (the “Agency”) pursuant to Resolution No. BRA 93-01 adopted on April 12, 1993, formed the Authority by the execution of a joint exercise of powers agreement (the “Joint Powers Agreement”) (see “**THE AUTHORITY**” herein). Pursuant to the Joint Powers Act, the Authority is authorized, among other things, to issue revenue bonds to provide funds to acquire local obligations issued to finance or refinance public capital improvements, such revenue bonds to be repaid from the repayment of the local obligations so acquired by the Authority.

On the Delivery Date of the Bonds, the Authority will acquire four separate series of bonds (collectively, the “District Bonds”) to be issued by the City of Beaumont Community Facilities District No. 93-1 (the “District”), as described herein, for Improvement Area Nos. 9, 10A, 12A and 14A, respectively. Each series of Bonds will be separately secured and payable only from Special Taxes levied within the related Improvement Area.

The Authority has issued other series of bonds (see “**DEBT STRUCTURE**” herein). Each series is separately secured under the terms of the Indenture from such other series of bonds. No additional bonds on a parity with the Bonds or the District Bonds are authorized.

The District. The Mello-Roos Community Facilities Act of 1982, as amended, constituting Sections 53311 et seq. of the Government Code of the State of California (the “Act”), was enacted by the California Legislature to provide an alternative method of financing certain public facilities, improvements and services. The Act authorizes local governmental entities to establish community facilities districts as legally constituted governmental entities within defined boundaries, with the legislative body of the applicable local governmental entity acting on behalf of such district. Subject to approval by at least two-thirds of the votes cast by the qualified electors within such district and compliance with the provisions of the Act, the legislative body may issue bonds for such community facilities district established by it and may levy and collect a special tax (the “Special Tax”) within such district to repay such bonds (see “**SELECTED ESSENTIAL FACTS**” and “**FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax**” herein).

On June 29, 1993, the City formed City of Beaumont Community Facilities District No. 93-1 (the “District”) by the adoption of Resolution No. 1993-06. The District at that time consisted of 12 improvement areas (each an “Improvement Area” and collectively, the “Improvement Areas”) encompassing approximately 3,189 acres. In May 1995, Improvement Area No. 13 was approved by the City and the electors within such Improvement Area to provide landscape maintenance services. In December 1999, Improvement Area No. 14 was approved by the City and the electors within such Improvement Area (see “**THE IMPROVEMENT AREAS**” herein for a description of the respective Improvement Areas).

On November 5, 2002, the District established Improvement Area No. 10A, Improvement Area No. 12A and Improvement Area No. 14A. A new Rate and Method of Apportionment of Special Tax was approved by the City and the qualified electors within each of these new Improvement Areas.

Each Improvement Area has a separate rate and method of apportionment of special tax approved by the City and the qualified electors within each respective Improvement Area. The City and the qualified electors within each Improvement Area voted in favor of the incurrence of bonded indebtedness and each Improvement Area has separate bond authorizations (see “**DEBT STRUCTURE**” herein).

Prior District Bonds. In 1994 the District issued separate series of bonds on behalf of certain improvement areas within the District including Improvement Area Nos. 9, 10 and 12 (collectively, the “1994 District Bonds”). Each series of the 1994 District Bonds are separately secured and payable only from Special Taxes levied within the respective Improvement Areas. The 1994 District Bonds were purchased by the Authority from a portion of the proceeds of the Authority’s 1994 Local Agency Revenue Bonds, Series A and Series B (collectively, the “1994 Authority Bonds”).

On the Delivery Date, of the Bonds a portion of the 1994 Authority Bonds will be refunded and the 1994 District Bonds relating to Improvement Area No. 10 and Improvement Area No. 12 will be cancelled (see “**The Refunding Program**” below). The 1994 District Bonds with respect to Improvement Area No. 9 will remain outstanding (\$250,355.77) and will continue to secure the remaining 1994 Authority Bonds.

In June 2000 the District issued bonds on behalf of Improvement Area No. 14 in the principal amount of \$10,885,000 of which \$10,775,000 remain outstanding (the “2000 District Bonds”). The 2000 District Bonds were purchased by the Authority from proceeds of its 2000 Local Agency Revenue Bonds, Series A (the “2000 Authority Bonds”) (see “**DEBT STRUCTURE – Outstanding Indebtedness**” herein). Improvement Area No. 14A’s approximate proportionate share of the 2000 District Bonds is \$3,663,500.

After the issuance of the District Bonds for Improvement Area No. 14A, the 2000 District Bonds issued on behalf of Improvement Area No. 14 will remain outstanding (see “**DEBT STRUCTURE – Direct and Overlapping Debt**” herein) and will continue to secure the 2000 Authority Bonds.

Security and Sources of Repayment

The Bonds. The Bonds are secured under an Indenture of Trust dated as of January 15, 1994 (the “Original Indenture”) and a Third Supplemental Indenture of Trust dated as of March 1, 2003 (the “Supplemental Indenture”), both between the Authority and Union Bank of California, N.A., Los Angeles, California (successor to the previous trustee), as trustee (the “Trustee”) (see “SUMMARY OF THE LEGAL DOCUMENTS - THE INDENTURE” herein). Collectively, the Original Indenture as heretofore amended and supplemented and as supplemented by the Supplemental Indenture are referred to herein as the “Indenture”.

The Bonds are special obligations of the Authority payable solely from and secured by the proceeds of (i) payment of the District Bonds to be acquired by the Authority with the proceeds of the Bonds, (ii) the Reserve Fund established with the proceeds of the Bonds and held pursuant to the Indenture, (iii) any investment earnings with respect to such moneys and (iv) any available surplus revenues with respect to other series of bonds issued pursuant to the Indenture to the extent such surplus revenues are available to replenish the Reserve Fund for the Bonds (collectively, the “Revenues”) (see “SOURCES OF PAYMENT FOR THE BONDS” herein). On the Delivery Date, the Authority will deliver to the Trustee a Cash Flow Certificate demonstrating that there will be sufficient Revenues assuming timely receipt from the scheduled repayment of the District Bonds and the sources described above to pay debt service on the Bonds (see “BONDOWNERS’ RISKS” herein).

The Bonds are special obligations of the Authority. The Bonds do not constitute a debt or liability of the City, the State of California (the “State”) or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds, and the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the District (except to the limited extent described herein), the City, the State or any of their respective political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.

The District Bonds. The District Bonds are secured under the Original District Indenture and a Fifth Supplemental Indenture between the District and Union Bank of California, N.A., Los Angeles, California, as District Trustee (the “District Trustee”) dated as of March 1, 2003 (the “Supplemental District Indenture”) (collectively, the Original District Indenture as heretofore amended and supplemented and as further supplemented by the Supplemental District Indenture are referred to herein as the “District Indenture”) (see “SUMMARY OF THE LEGAL DOCUMENTS - THE DISTRICT INDENTURE” herein). The District has covenanted in the District Indenture to levy in each Fiscal Year the Special Taxes on parcels of land within each Improvement Area pledged to the repayment of the respective District Bonds in an amount sufficient to pay Annual Debt Service on the respective District Bonds and the administrative expenses related to the applicable Improvement Area, subject to the limitation on the Maximum Annual Special Tax that may be levied on such land within each Improvement Area (see “THE DISTRICT - The Improvement Areas” for a description of the Improvement Areas and “FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax” for a description of the Special Tax within each Improvement Area) (“SOURCES OF PAYMENT FOR THE BONDS” and “BONDOWNERS’ RISKS” herein).

The District Bonds are special obligations of the District. The District Bonds do not constitute a debt or liability of the City, the State or of any political subdivision thereof, other than the District. The District shall only be obligated to pay the principal of the District Bonds, and the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the City, the State or any of their respective political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds. The District has no *ad valorem* taxing power (see “SOURCES OF PAYMENT FOR THE BONDS” and “BONDOWNERS’ RISKS” herein).

Purpose

The Bonds. Proceeds from the Bonds will be used to refund, in part, the 1994 Authority Bonds (see “**The Refunding Program**” below), and to acquire the District Bonds on the date of delivery of the Bonds. In addition, Bond proceeds will be used to make a deposit to the Reserve Fund and to pay the expenses of the Authority and the District in connection with the issuance of the Bonds and the District Bonds. The amount of Bond proceeds deposited into the Reserve Fund will be in an amount equal to \$1,968,800 (see “**THE BONDS – Estimated Sources and Uses of Funds**” and “**SOURCES OF PAYMENT FOR THE BONDS – Reserve Fund**” herein).

The District Bonds. The District Bonds are being issued to provide the District with funds to refinance certain indebtedness with respect to Improvement Area Nos. 10 and 12, to finance public infrastructure related to Improvement Area Nos. 9, 10A, 12A and 14A (see “**THE DISTRICT – Facilities to be Financed by the District**”), to fund certain interest on the District Bonds and to pay the expenses of the District in connection with the issuance of the District Bonds (see “**THE BONDS – Estimated Sources and Uses of Funds**” herein).

Upon the issuance of the Bonds, a portion of the proceeds thereof will be deposited in the Escrow Fund for Improvement Area Nos. 12A and 14A and will be released to finance Facilities in the applicable Improvement Area when and if certain release tests set forth in the District Indenture are satisfied. In the event that the release tests are not satisfied, the amounts in the applicable Escrow Fund will be applied to the redemption of District Bonds related to such Improvement Area maturing September 1, 2033, in whole or in part, without premium, on September 1, 2005, or on such later date as is permitted under the District Indenture. See “**THE BONDS – Redemption Provisions**” and “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds – Improvement Area Escrow Funds**” herein.

Value-to-Lien Requirement; Release of Escrow Moneys. Based on the appraised value and augmentation value of the property within each Improvement Area, as reported in the Appraisal, the estimated value-to-lien ratio for each Improvement Area is 3 to 1 on the Delivery Date of the Bonds. The lien in the foregoing ratio is comprised of the existing direct and overlapping tax and assessment debt applicable to the property within each Improvement Area, plus the aggregate principal amount of the Bonds for such Improvement Area, less the amount of Bond proceeds that will be initially held in the related Escrow Fund by the District Trustee. Moneys on deposit in the respective Escrow Funds will be released upon the satisfaction of certain conditions set forth in the District Indenture relating to the completion of additional improvements to the property and an assumed increase in the value of the property based on such improvements. The value-to-lien ratio of individual parcels may be less or more than the aggregate value-to-lien ratio for an Improvement Area. See “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds – Improvement Area Escrow Funds**” and “**BONDOWNERS’ RISKS**” herein.

The Refunding Program

In 1994 the Authority issued its 1994 Local Agency Revenue Bonds, Series B (the “1994 Series B Authority Bonds”). Repayment of the 1994 Series B Authority Bonds is secured by a pledge of moneys derived from the repayment of eleven (11) separate issues of local obligations purchased by the Authority. The local obligations include district bonds issued on behalf of Improvement Area Nos. 10 and 12.

On the Delivery Date the Authority will deposit with the Trustee an amount sufficient to redeem \$780,000 principal amount of the Authority's 1994 Series B Authority Bonds on September 1, 2003. After such deposit, the 1994 District Bonds issued on behalf of Improvement Area Nos. 10 and 12 will be cancelled and thereby discharge any pledge of the Special Taxes to be levied in Improvement Area Nos. 10 and 12 to the 1994 District Bonds and the 1994 Series B Authority Bonds. The Authority will deliver a certificate stating that the remaining payments of principal and interest on the 1994 District Bonds will be sufficient on a timely basis to pay debt service on the remaining 1994 Authority Bonds.

The Bonds

Redemption. The Bonds are subject to mandatory redemption, without premium, prior to their maturity date, in part by lot on September 1 in each year commencing September 1, 2004 with respect to the Bonds maturing September 1, 2004, commencing September 1, 2005 with respect to the Bonds maturing September 1, 2008, commencing September 1, 2009 with respect to the Bonds maturing September 1, 2012, commencing September 1, 2013 with respect to the Bonds maturing September 1, 2015, commencing September 1, 2016 with respect to the Bonds maturing September 1, 2021, commencing September 1, 2022 with respect to the Bonds maturing September 1, 2027, and commencing September 1, 2028 with respect to the Bonds maturing September 1, 2033 from Sinking Account payments under the Indenture (see **"THE BONDS - Redemption - Mandatory Redemption"** herein).

The Bonds are subject to optional redemption prior to maturity, in whole or in part, in a manner determined by the Authority, on September 1, 2013, and on any date thereafter at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see **"THE BONDS - Redemption - Optional Redemption"** herein).

The Bonds are subject to special mandatory redemption, in part, on any date from amounts constituting prepayments of District Bonds at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, plus a premium, as described herein (see **"THE BONDS - Redemption - Special Mandatory Redemption from Prepayment of District Bonds"** herein).

The Bonds maturing September 1, 2033 are subject to mandatory redemption, in part, on any date on or after September 1, 2005 from redemption of District Bonds from amounts in the Improvement Area Escrow Funds.

The Bonds are subject to special mandatory redemption in whole or in part, on any date without premium under certain other circumstances as described herein (see **"THE BONDS - Redemption"** herein).

Denominations. The Bonds will be issued in the minimum denomination of \$5,000 each or any integral multiple thereof (see **"THE BONDS - General Provisions"** herein).

Registration, Transfer and Exchange. The Bonds will be issued in fully registered form without coupons. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture (see **"THE BONDS - General Provisions - Transfer or Exchange of Bonds"** herein). When delivered, the Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the Bonds. Individual purchases of Bonds will be made in book-entry form only in the principal amount of \$5,000 each or any integral thereof. Purchasers of the Bonds will not receive certificates representing their Bonds purchased (see **"THE BONDS - General Provisions - Book-Entry Only System"** herein).

Payment. Principal of the Bonds and any premium upon redemption will be payable in each of the years and in the amounts set forth on the cover page hereof upon surrender at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds will be paid by check of the Trustee mailed by first class mail on the Interest Payment Date to the person entitled thereto (except as otherwise described herein for interest paid to an account in the continental United States of America by wire transfer as

requested in writing no later than the applicable Record Date by owners of \$1,000,000 or more in aggregate principal amount of Bonds) (see “**THE BONDS - General Provisions**” herein). Initially, interest on and principal and premium, if any, of the Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest, principal and premium, if any, to DTC Participants (as defined herein), which will in turn remit such interest, principal and premium, if any, to Beneficial Owners (as defined herein) of the Bonds (see “**THE BONDS - General Provisions - Book-Entry Only System**” herein).

Notice. Notice of any redemption will be mailed by first class mail by the Trustee at least thirty (30) but no more than sixty (60) days prior to the date fixed for redemption to the registered owners of any Bonds designated for redemption and to the Securities Depositories and Information Services provided in the Indenture. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date (see “**THE BONDS - Redemption - Notice of Redemption**” herein).

Legal Matters

The legal proceedings in connection with the issuance of the Bonds are subject to the approving opinion of McFarlin & Anderson, Lake Forest, California, as Bond Counsel. Such opinion, and certain tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “**LEGAL MATTERS**” herein. Certain legal matters will be passed on for the Authority and the City by Aklufi & Wysocki, Riverside, California, as Authority Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Burke, Williams & Sorensen, LLP, Irvine, California, Underwriter’s Counsel.

Professional Services

Union Bank of California, N.A., Los Angeles, California, will serve as trustee (the “Trustee”) under the Indenture. The Trustee will act on behalf of the Bondowners for the purpose of receiving all moneys required to be paid to the Trustee, to allocate, use and apply the same, to hold, receive and disburse the Revenues and other funds held under the Indenture, and otherwise to hold all the offices and perform all the functions and duties provided in the Indenture to be held and performed by the Trustee.

General Government Management Services, Rancho Mirage, California, Special Tax Consultant, prepared the cash flow certificate for the respective Improvement Areas demonstrating that there will be sufficient Special Taxes, assuming timely receipt, to pay debt service on the District Bonds (see “**CONCLUDING INFORMATION – Experts**” herein).

Rod Gunn Associates, Inc., Huntington Beach, California, Financing Consultant, advised the Authority as to the financial structure and certain other financial matters relating to the Bonds.

Fees payable to Bond Counsel, Disclosure Counsel, Special Tax Consultant and the Financing Consultant are contingent upon the sale and delivery of the Bonds.

Offering of the Bonds

Authority for Issuance. The Bonds are issued in accordance with the laws of the State of California (the “State”), and particularly the Marks-Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584), of Chapter 5, Division 7, Title 1 of the Government Code of the State (the “Bond Law”).

The Bonds are the fifth series of revenue bonds being issued by the Authority pursuant to the Indenture. The Indenture authorizes the Authority to issue additional series of revenue bonds from time to time to finance or purchase bonds or other obligations of the City or the Agency. Each such series of Authority bonds will be separately secured under the terms of a supplemental indenture. The District is not authorized to issue additional bonds secured by the Special Taxes pledged pursuant to the Supplemental District Indenture (see “**DEBT STRUCTURE - Additional Obligations - The Authority**” herein).

The Bonds are being sold to O’Connor Southwest Securities (the “Underwriter”), pursuant to a Purchase Contract approved by the Authority by Resolution No. BFA 2002-02 adopted November 19, 2002.

Offering and Delivery of the Bonds. The Bonds are offered, when, as and if issued, subject to the approval as to their legality by McFarlin & Anderson, Lake Forest, California, as Bond Counsel. Certain legal matters will be passed upon for the Authority by Aklufi & Wysocki, Riverside, California, as Authority Counsel and by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Burke, Williams & Sorensen, LLP, Irvine, California, as Underwriter’s Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about March 27, 2003.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Financing Consultant or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Bonds described herein, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale or to any person to whom it is unlawful to make such offer, solicitation or sale.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Information Concerning this Official Statement

This Official Statement speaks only as of its date. The information set forth herein has been obtained by Rod Gunn Associates, Inc., from the Authority, the District, the City, the property owners and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, nor has it been independently verified and is not to be construed as a representation by the Financing Consultant, the Authority or the District. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended as such and are not to be construed as representations of fact.

The information set forth herein is in a form deemed final, as of its date, by the Authority for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"). The information and expressions of opinion herein are subject to change without notice and the delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the information or opinions set forth herein or in the affairs of the Authority or the District since the date hereof.

Continuing Disclosure. The Authority has determined that, except for information relating to fund balances held by the Trustee with respect to the Bonds, no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information. The District has undertaken all responsibilities for any continuing disclosure to Bondowners as described below, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to such disclosures.

The District and the property owners have covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District each year. The District has agreed to make such information available not later than 225 days after the end of the City's fiscal year, commencing with fiscal year 2002/03 and the property owners have agreed to make such information available not later than 120 days after the end of the respective property owner's fiscal year, commencing with fiscal year 2002/03 (each an "Annual Report" and collectively the "Annual Reports"), and to provide notices of the occurrences of certain enumerated events, if material. The District and the property owners shall file or cause to be filed the Annual Reports with each Nationally Recognized Municipal Securities Information Repository and with the appropriate State information depository, if any. The notices of material events will be filed by the Dissemination Agent on behalf of the District and the respective property owners with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of information to be contained in the Annual Reports or the notice of material events is summarized in "**APPENDIX F -- FORMS OF CONTINUING DISCLOSURE AGREEMENTS.**" These covenants have been made by the District and the property owners in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). Each property owner will be released from its obligation under its Continuing Disclosure Agreement to provide its Annual Report at such time as the property owned by the developer is no longer responsible for payment of 20% or more of the Special Taxes in the applicable Improvement Area. The District filed a report due November 1, 2002 with respect to the 2000 District Bonds on November 25, 2002 and has not otherwise failed to meet its continuing disclosure requirement under such Rule. The property owners have stated that they have never failed to meet their continuing disclosure requirement under such Rule.

Each year until the final maturity of the District Bonds, the District is required to, not later than October 30 of each year, supply the following information to the California Debt and Investment Advisory Commission by mail, postage prepaid:

1. The principal amount of District Bonds outstanding.
2. The balance in any District Bonds reserve fund.
3. The balance in any capitalized interest fund.
4. The number of parcels which are delinquent with respect to their Special Tax payments, the amount that each parcel is delinquent, the length of time that each has been delinquent, and when foreclosure was commenced for each delinquent parcel.
5. The balance in any construction funds.
6. The assessed value of all parcels subject to Special Tax to repay the District Bonds as shown on the most recent equalized roll.

In addition, both the Authority and the District are required to notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within 10 days if any of the following events occur:

1. The Authority, the District or its Trustee fails to pay principal and interest due on any scheduled payment date.
2. Funds are withdrawn from any reserve fund to pay principal and interest on the Bonds or the District Bonds.

Neither the District, the Authority nor the California Debt and Investment Advisory Commission will be liable for any inadvertent error in reporting the required information. The failure by the District to comply with its reporting obligations is not a default under the District Indenture.

Availability of Legal Documents. The summaries and references contained herein with respect to the Original Indenture, the Supplemental Indenture, the Bonds, the District Bonds, the Original District Indenture, the Supplemental District Indenture, and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Definitions of certain terms used herein are set forth in “APPENDIX A” hereto. Copies of the documents described herein are available for inspection during the period of initial offering of the Bonds at the offices of the Financing Consultant, Rod Gunn Associates, Inc., 16371 Gothard Street, Suite A, Huntington Beach, California 92647-3652, telephone (714) 841-3993, or the Underwriter, O’Connor Southwest Securities, 3 Civic Plaza, Suite 100, Newport Beach, California 92660, telephone (949) 717-2000. Copies of these documents may be obtained after delivery of the Bonds from the Authority at 550 E. 6th Street, Beaumont, California 92223, telephone (909) 769-8520.

SELECTED ESSENTIAL FACTS

*The following summary does not purport to be complete. Reference is hereby made to the complete Official Statement in this regard. Further, the following summary makes certain assumptions regarding valuation of property within the District. Neither the Authority nor the District makes any representation as to the current value of property in the District or provides any assurance as to the estimated values of property being achieved (see “**BONDOWNERS’ RISKS**” herein).*

THE BONDS

Principal Amount of Bonds:	\$21,420,000
Additional Bonds:	No Additional Bonds on a parity with the Bonds are authorized (see “ DEBT STRUCTURE - Additional Obligations ” herein).
First Optional Redemption Date:	September 1, 2013 at 102% of Principal Amount (see “ THE BONDS-Redemption ” herein).
First Mandatory Redemption Date:	On any date from prepayment of Special Taxes at a premium, as described herein.
Primary Source of Revenues for Repayment:	The Bonds are payable from Revenues as defined herein received from the payment of the District Bonds and certain other sources (see “ SOURCES OF PAYMENT FOR THE BONDS ” and “ BONDOWNERS’ RISKS ” herein).
Priority:	All Bonds secured by a first pledge of and lien on the Revenues as described herein (see “ SUMMARY OF THE LEGAL DOCUMENTS ” herein).

THE DISTRICT BONDS

Principal Amount of District Bonds:	
Improvement Area No. 9	\$ 350,000 (1)
Improvement Area No. 10A	\$ 2,260,000
Improvement Area No. 12A	\$ 1,395,000
Improvement Area No. 14A	\$17,415,000 (2)
Additional District Bonds:	No Additional District Bonds on a parity with the District Bonds are authorized (see “ DEBT STRUCTURE - Additional Obligations ” herein).

(1) Improvement Area No. 9 currently has approximately \$250,355.77 principal amount of 1994 District Bonds outstanding.

(2) Improvement Area No. 14A has approximately \$3,663,500 of overlapping debt related to the 2000 District Bonds.

Primary Source of Revenues for Repayment: Special Taxes levied within Improvement Area Nos. 9, 10A, 12A and 14A, respectively, of the District as defined herein (see “**FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax**” herein).

Priority: All District Bonds are secured by a first pledge of and lien on all Special Taxes levied in the applicable Improvement Area of the District only (see “**SOURCES OF PAYMENT FOR THE BONDS**” and “**BONDOWNERS’ RISKS**” herein).

THE DISTRICT

Description of Proposed Development: (see “**THE DISTRICT – The Improvement Areas**” herein).

Improvement Area No. 9	69 single family residences
Improvement Area No. 10A	147 single family residences
Improvement Area No. 12A	108 single family residences
Improvement Area No. 14A	181 attached and 1,196 detached single family residences (1)

Estimated Acreage in each Improvement Area:

Improvement Area No. 9	14 acres
Improvement Area No. 10A	40.11 acres
Improvement Area No. 12A	29.14 acres
Improvement Area No. 14A	256.88 acres

Number of Property Owners on the Date of Delivery of the Bonds:

Improvement Area No. 9	58
Improvement Area No. 10A	1
Improvement Area No. 12A	1
Improvement Area No. 14A	2

(1) Pursuant to current plans of Pulte Homes (see “**THE DISTRICT – Improvement Area No. 14A**” herein).

Status of Development within Each Improvement Area:

Improvement Area No. 9	61 completed homes of which 57 have been sold
Improvement Area No. 10A	Final map recorded; 52 homes under construction; 52 presold
Improvement Area No. 12A	Final map recorded; grading commenced; 38 homes presold
Improvement Area No. 14A	16 tentative maps covering the entire area have been approved, 5 of which have recorded, rough grading completed.

Developers in Improvement Areas which are incurring bonded indebtedness:

Improvement Area No. 9	Cougar Ranch LLC
Improvement Area No. 10A	Cougar Ranch LLC
Improvement Area No. 12A	Victoria Homes
Improvement Area No. 14A	Pulte Homes (179.34 acres) Temecula Valley LLC (77.54 acres) (1)

Appraised Fair Market Value of Raw Land and Improvements in Improvement Areas within the District which are incurring bonded indebtedness, plus the Improvements Financed with Bond Proceeds:

Improvement Area No. 9	\$ 9,800,000 (2)
Improvement Area No. 10A	\$ 7,000,000 (2)
Improvement Area No. 12A	\$ 3,370,000 (2)
Improvement Area No. 14A	\$24,000,000 (2) (3)

Ratio of Market Value within an Improvement Area to Principal Amount of District Bonds and Parity District Bonds if applicable for such Improvement Area (excludes escrowed amounts):

Improvement Area No. 9	16.32 to 1
Improvement Area No. 10A	3.10 to 1
Improvement Area No. 12A	3 to 1
Improvement Area No. 14A	3 to 1

(1) Pulte Homes has an option to purchase the acreage currently owned by Temecula Valley LLC (Lennar). The projected development described herein assumes that Pulte Homes purchases such acreage (see “**THE DISTRICT – Improvement Area No. 14A**” herein).

(2) Source: Harris Realty Appraisal.

(3) Subsequent to the date of the Appraisal, Pulte Homes has recorded four final maps totaling 354 lots. The current Augmentation Value is \$38,160,000, according to the City’s Engineer.

Minimum Ratio of Authorized Maximum
Annual Special Taxes in any Fiscal Year
to Annual Debt Service on the District
Bonds and any Parity Bonds:

Improvement Area No. 9	110%
Improvement Area No. 10A	110%
Improvement Area No. 12A	110%
Improvement Area No. 14A	110%

Escrowed Amounts:

Improvement Area No. 9	\$ 0
Improvement Area No. 10A	\$ 0
Improvement Area No. 12A	\$ 271,667
Improvement Area No. 14A	\$8,358,500 (1)

(1) Based upon current estimates, the entire Escrow Fund will have been released with the recording of the final maps for Phase 2 of development.

THE BONDS

General Provisions

Repayment of the Bonds. Interest is payable on the Bonds at the rates per annum set forth on the cover page hereof. Interest with respect to the Bonds will be computed on the basis of a year consisting of 360 days and twelve 30-day months.

Each Bond will be dated the Date of Delivery, and interest with respect thereto will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event interest with respect thereto will be payable from such Interest Payment Date; (b) it is authenticated on or before August 15, 2003, in which event interest with respect thereto will be payable from Date of Delivery; or (c) interest with respect to any Outstanding Bond is in default, in which event interest with respect thereto will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest with respect to the Bonds will be payable by check of the Trustee mailed by first class mail on the applicable Interest Payment Date to the Owners thereof provided that in the case of an Owner of \$1,000,000 or greater in principal amount of Outstanding Bonds, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the continental United States in accordance with written instructions provided prior to the applicable Record Date to the Trustee by such Owner. The Owners of the Bonds shown on the Registration Books on the Record Date for the Interest Payment Date will be deemed to be the Owners of the Bonds on said Interest Payment Date for the purpose of the paying of interest. Principal of the Bonds and any premium upon early redemption is payable upon presentation and surrender thereof, at the corporate trust office of the Trustee in Los Angeles, California.

Book-Entry-Only System. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as

well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by

standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The foregoing information concerning DTC and DTC’s book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof. Neither the Authority nor the Underwriter can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

Transfer or Exchange of Bonds. Any Bond may, in accordance with its terms, be transferred or exchanged, pursuant to the provisions of the Indenture, upon surrender of such Bond for cancellation at the corporate trust office of the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Trustee shall authenticate and deliver a new Bond or Bonds for like aggregate principal amount. The Trustee may require the payment by the Bondowner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee is not required to transfer or exchange (a) any Bonds or portions thereof during the period established by the Trustee for selection of Bonds for redemption, or (b) any Bonds selected for redemption.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond becomes mutilated, the Authority, at the expense of the Bondowner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee will be canceled by it. If any Bond issued under the Indenture is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and the Authority and, if such evidence is satisfactory to them and indemnity satisfactory to them is given, the Authority, at the expense of the Bondowner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Authority may require payment by the Bondowner of a sum not exceeding the actual cost of preparing each new Bond issued under the provisions of the Indenture described in this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of the Indenture described in this paragraph in lieu of any Bond alleged to be lost, destroyed or

stolen will be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

Authorization

The Authority Bonds. The Bonds are being issued pursuant to the Indenture. The Bonds are being sold to the Underwriter pursuant to, and subject to the terms and conditions of, the Purchase Contract by and among the Underwriter, the Authority and the District (the “Purchase Contract”). The Indenture and the Purchase Contract were approved by the Authority pursuant to Resolution No. BFA 2002-02 adopted November 19, 2002.

The District Bonds. The District Bonds are being issued pursuant to the District Indenture.

The City Council, on behalf of the District, pursuant to Resolution No. 2002-72 adopted November 19, 2002, approved the issuance of the District Bonds and the Purchase Contract for Purchase and Sale of District Bonds selling the District Bonds to the Authority. The Board of Directors of the Authority pursuant to Resolution No. BFA 2002-02 adopted November 19, 2002, authorized the Authority to acquire the District Bonds.

Estimated Sources and Uses of Funds

Proceeds from the sale of the Bonds will be used to provide funds to acquire the District Bonds in the aggregate principal amounts indicated below. Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the Bonds and will apply them as follows:

Sources of Funds

Principal Amount of the Bonds	\$21,420,000.00
Original Issue Discount	(181,311.35)
Underwriter's Discount	<u>(535,500.00)</u>
Net Bond Proceeds	20,703,188.65
Prior Funds	<u>106,499.00</u>
Total	\$20,809,687.65

Uses of Funds

1994 Escrow Fund	\$ 823,875.06
2003 Series A Bonds Program Fund ⁽¹⁾	17,257,012.59
2003 Series A Bonds Expense Fund ⁽²⁾	760,000.00
2003 Series A Bonds Reserve Fund ⁽³⁾	<u>1,968,800.00</u>
Total	\$20,809,687.65

(1) To be used to acquire the District Bonds.

(2) Expenses include fees and expenses of Bond Counsel, Financing Consultant, Disclosure Counsel, property owners' counsel, Appraiser, Market Consultant, Special Tax Consultant, Project Engineer, including preliminary engineering fees, Trustee, costs of printing the preliminary and final Official Statements, and other costs of issuance of the Bonds and the District Bonds.

(3) Equal to the Reserve Requirement.

District Bond Proceeds

The District will deposit the proceeds from the District Bonds as follows:

Improvement Area 9

Sources

Principal Amount of Improvement Area 9 Bonds	\$350,000.00
Original Issue Discount	<u>(64,644.74)</u>
Net Bond Proceeds	285,355.26
Prior Funds	<u>43,279.27</u>
Total Available Funds	\$328,634.53

Uses

Construction Fund	\$252,240.00
Capitalized Interest ⁽¹⁾	10,421.74
Special Tax Fund	30,972.79
Expense Fund	<u>35,000.00</u>
Total	\$328,634.53

Improvement Area 10A

Sources

Principal Amount of Improvement Area 10A Bonds	\$2,260,000.00
Original Issue Discount	<u>(913,911.97)</u>
Net Bond Proceeds	1,346,088.03
Prior Funds	<u>177,080.60</u>
Total Available Funds	\$1,523,168.63

Uses

Construction Fund	\$1,240,216.00
Capitalized Interest ⁽¹⁾	63,816.42
Special Tax Fund	164,136.21
Expense Fund	<u>55,000.00</u>
Total	\$1,523,168.63

(1) Estimated Capitalized Interest through September 1, 2004, in the case of Improvement Area No. 14A, and September 1, 2003 in the case of Improvement Area Nos. 9, 10A and 12A.

Improvement Area 12A

Sources

Principal Amount of Improvement Area 12A Bonds	\$1,395,000.00
Original Issue Discount	<u>(383,939.26)</u>
Total Available Funds	\$1,011,060.74

Uses

Construction Fund	\$ 922,919.00
Capitalized Interest ⁽¹⁾	38,141.74
Expense Fund	<u>50,000.00</u>
Total	\$1,011,060.74

Improvement Area 14A

Sources

Principal Amount of Improvement Area 14A Bonds	\$17,415,000.00
Original Issue Discount	<u>(2,800,491.44)</u>
Total Available Funds	\$14,614,508.56

Uses

Construction Fund	\$12,962,108.00
Capitalized Interest ⁽¹⁾	1,592,400.56
Expense Fund	<u>60,000.00</u>
Total	\$14,614,508.56

(1) Estimated Capitalized Interest through September 1, 2004, in the case of Improvement Area No. 14A, and September 1, 2003 in the case of Improvement Area Nos. 9, 10A and 12A.

Investment of Funds

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture or to be held by the District Trustee pursuant to the District Indenture, will be invested solely in Permitted Investments (see “APPENDIX A - DEFINITION OF CERTAIN TERMS USED IN THE INDENTURE AND THE DISTRICT INDENTURE” herein), as directed pursuant to the Written Request of the Authority or the District filed with the Trustee or the District Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request, the Trustee will invest any such moneys in money market funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund will be calculated at the market thereof (excluding any accrued interest).

Redemption

Notwithstanding any provisions in the Indenture to the contrary, upon any optional redemption or mandatory redemption from Special Taxes in part, the Authority shall deliver a Written Certificate to the Trustee at least sixty (60) days prior to the proposed redemption date or such later date as shall be acceptable to the Trustee so stating that the remaining payments of principal and interest on the District Bonds, together with other Revenues to be available, will be sufficient on a timely basis to pay debt

service on the Bonds, as demonstrated in a Cash Flow Certificate delivered to the Trustee with such Written Certificate.

The Authority is required, in such Written Certificate, to certify to the Trustee that sufficient moneys for purposes of such redemption are or will be on deposit in the Revenue Fund and is required to deliver such moneys to the Trustee together with other Revenues, if any, then to be delivered to the Trustee pursuant to the Indenture, which moneys are required to be identified to the Trustee in the Written Certificate delivered with the Revenues.

Optional Redemption. The Bonds are subject to redemption prior to maturity at the option of the Authority on any date on or after September 1, 2013, as a whole or in part, by lot, from any available source of funds at the following redemption prices, (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption as follows:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
September 1, 2013 through August 31, 2014	102.0%
September 1, 2014 through August 31, 2015	101.0%
September 1, 2015 and thereafter	100.0%

Special Mandatory Redemption from Prepayment of District Bonds. The Bonds are subject to redemption prior to maturity on any date, in part, in a manner determined by the Authority from prepayment of District Bonds from amounts constituting prepayments of Special Taxes at the following redemption prices, (expressed as a percentage of the principal amount of Bonds to be redeemed) together with accrued interest thereon to the date fixed for redemption as follows:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
September 1, 2003 through August 31, 2006	103.0%
September 1, 2006 through August 31, 2013	102.5%
September 1, 2013 and thereafter as provided for optional redemption	

Mandatory Sinking Payment Redemption. The Bonds maturing September 1, 2004, September 1, 2008, September 1, 2012, September 1, 2015, September 1, 2021, September 1, 2027 and September 1, 2033 are subject to mandatory redemption, in part by lot, on September 1 in each year commencing September 1, 2004, with respect to the Bonds maturing September 1, 2004, commencing September 1, 2005, with respect to the Bonds maturing September 1, 2008, commencing September 1, 2009, with respect to the Bonds maturing September 1, 2015, commencing September 1, 2016, with respect to the Bonds maturing September 1, 2021, commencing September 1, 2022, with respect to the Bonds maturing September 1, 2027, and commencing September 1, 2028, with respect to the Bonds maturing September 1, 2033, from mandatory sinking payments made by the Authority into the 2002 Series B Bonds Principal Account pursuant to the Indenture at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption in the aggregate principal amounts and on September 1 in the respective years as set forth in the following schedule; provided, however, that (i) in lieu of redemption thereof, the Bonds may be purchased by the Authority and tendered to the Trustee, and (ii) if some but not all of the Bonds have been redeemed pursuant to optional redemption, mandatory redemption from Special Taxes or special mandatory redemption provisions described herein, the total amount of all future sinking payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking payments on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000 as determined by the Authority. The Authority need not apply the moneys derived from prepayment of District Bonds to the redemption of the Bonds under certain circumstances as provided in the Indenture.

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2004**

September 1 <u>Year</u>	Principal <u>Amount</u>
2004	\$10,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2008**

September 1 <u>Year</u>	Principal <u>Amount</u>	September 1 <u>Year</u>	Principal <u>Amount</u>
2005	\$265,000	2007	\$300,000
2006	280,000	2008	320,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2012**

September 1 <u>Year</u>	Principal <u>Amount</u>	September 1 <u>Year</u>	Principal <u>Amount</u>
2009	\$335,000	2011	\$375,000
2010	355,000	2012	405,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2015**

September 1 <u>Year</u>	Principal <u>Amount</u>
2013	\$425,000
2014	450,000
2015	480,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2021**

September 1 <u>Year</u>	Principal <u>Amount</u>	September 1 <u>Year</u>	Principal <u>Amount</u>
2016	\$510,000	2019	\$620,000
2017	545,000	2020	660,000
2018	580,000	2021	700,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2027**

September 1 <u>Year</u>	Principal <u>Amount</u>	September 1 <u>Year</u>	Principal <u>Amount</u>
2022	\$745,000	2025	\$ 930,000
2023	790,000	2026	1,000,000
2024	875,000	2027	1,065,000 (maturity)

**SCHEDULE OF MANDATORY SINKING PAYMENT REDEMPTIONS
TERM BONDS MATURING SEPTEMBER 1, 2033**

September 1 Year	Principal Amount	September 1 Year	Principal Amount
2028	\$1,145,000	2031	\$1,395,000
2029	1,220,000	2032	1,490,000
2030	1,310,000	2033	1,840,000 (maturity)

Redemption from Special Escrow.

The Bonds maturing September 1, 2033 are subject to mandatory redemption, in part, on any date on or after September 1, 2005, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date of redemption, without premium, all as determined by the Authority. The Outstanding Bonds shall be redeemed from redemption prepayment of District Bonds from amounts in the individual Improvement Area Escrow Funds.

Special Mandatory Redemption.

The Bonds are subject to special mandatory redemption on any date to which timely notice of redemption may be given, in integral multiples of \$5,000 equal to the principal amount of District Bonds redeemed with unused proceeds of the District Bonds after completion or abandonment of the improvements to be financed with such proceeds, without premium, plus accrued interest to the redemption date, all as determined by the Authority (see “**THE DISTRICT – Facilities to be Financed by the District**” for a description of the scope of the Project).

Upon any optional redemption, special mandatory redemption from Special Taxes or other special mandatory redemption in part, as described above, the maturity or maturities of the Bonds to be redeemed will be specified by the Authority as further provided in the Indenture.

Notice of Redemption. When redemption is authorized or required, the Trustee is required to give written notice of the redemption of Bonds to the Bondowners designated for redemption at their addresses appearing on the bond registration books, to certain Securities Depositories, and to one or more Information Services, all as provided in the Indenture, by first class mail, postage prepaid, no less than thirty (30), nor more than sixty (60), days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect in the notice so mailed will affect the sufficiency of the proceedings for redemption of such Bonds or the cessation of accrual of interest on the redemption date.

Effect of Redemption. The rights of a Bondowner to receive interest will terminate on the date, if any, on which the Bond is to be redeemed pursuant to a call for redemption. The Indenture contains no provisions requiring any publication of notice of redemption, and Bondowners must maintain a current address on file with the Trustee to receive any notices of redemption.

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

SOURCES OF PAYMENT FOR THE BONDS

Repayment of the Bonds

General. The Bonds are payable solely from and secured by repayment of the District Bonds, the Reserve Fund held pursuant to the Indenture, certain investment earnings on the funds and accounts held under the Indenture, and under certain circumstances (for purposes of replenishing any deficiency in the Reserve Fund) by any available surplus revenues with respect to other series of bonds issued pursuant to the Indenture.

The Bonds are special obligations of the Authority. The Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof, other than the Authority. The Authority shall only be obligated to pay the principal of the Bonds and the interest thereon from the funds described herein, and neither the faith and credit nor the taxing power of the District, except to the limited extent described herein, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the Bonds. The Authority has no taxing power.

Revenue Fund. The Trustee will deposit all Revenues with respect to the Bonds, when received from the District Trustee for the District Bonds, into the Revenue Fund. The Trustee, from time to time pursuant to a Written Certificate of the Authority, will transfer to the Expense Fund an amount, together with any other available amounts in the Expense Fund, necessary to pay Program Expenses due prior to the next succeeding Interest Payment Date. At least five (5) Business Days prior to each Interest Payment Date, the Trustee will transfer from the Revenue Fund for deposit into the Bond Fund which consists of the following accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

- (i) The Trustee will deposit into the Interest Account an amount which, together with the amount then on deposit therein, including amounts, if any transferred by the Trustee from the Reserve Fund, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount then required to make any payment of interest on the Bonds coming due on such Interest Payment Date.
- (ii) The Trustee will deposit into the Principal Account an amount which, together with the amount then on deposit therein, including amounts, if any transferred by the Trustee from the Reserve Fund, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or sinking account payment coming due and payable on such Interest Payment Date on the Outstanding Bonds upon the stated maturity or sinking fund payment redemption thereof.
- (iii) The Trustee will deposit into the Reserve Fund an amount, if any, required to restore the amount on deposit in the Reserve Fund to the Reserve Requirement.
- (iv) The Trustee will deposit all remaining amounts into the Residual Account.

Reserve Fund. In order to secure further the timely payment of principal of and interest on the Bonds, the Authority is required, upon delivery of the Bonds, to deposit in the Reserve Fund for the Bonds an amount equal to the Reserve Requirement. Thereafter, the Authority is required to deposit from the repayment of the District Bonds (and to the extent necessary, from available surplus revenues with respect to other series of bonds issued pursuant to the Indenture (see “**DEBT STRUCTURE - Outstanding Indebtedness**” herein)) and maintain an amount of money equal to the Reserve Requirement in the Reserve Fund at all times while the Bonds are Outstanding. Amounts in the Reserve Fund will be used to pay debt service on the Bonds to the extent other moneys are not available therefor. Amounts in the Reserve Fund in excess of the Reserve Requirement will be deposited into the Interest Account if not

allocated to a reserve fund which is not at the applicable reserve requirement. Amounts in the Reserve Fund may be used to pay the final year's debt service on the Bonds (see "**SUMMARY OF THE LEGAL DOCUMENTS**" herein). Upon mandatory redemption, amounts on deposit in the Reserve Fund shall be reduced (to an amount not less than the Reserve Requirement) and excess money shall be transferred to the Redemption Account and used for the redemption of Bonds.

Improvement Area Escrow Funds. \$823,875.06 of the District Bond proceeds will be deposited initially in the Improvement Area Escrow Funds established under the District Indenture. Amounts on deposit in the Escrow Fund are to be invested in Authorized Investments (as defined in "**APPENDIX A – DEFINITIONS OF CERTAIN TERMS USED IN THE INDENTURE**" herein). On each Interest Payment Date investment earnings on amounts held in the Improvement Area Escrow Funds will be transferred to the Revenue Fund.

Amounts in the Improvement Area Escrow Funds may be released for deposit in the Construction Fund only if certain conditions to the release as set forth in the District Indenture are satisfied (see "**Repayment of the District Bonds –Improvement Area Escrow Funds**" below).

Residual Account.

Moneys deposited into the Residual Account will be transferred by the Trustee in the following order of priority:

- (i) to make up any deficiency in the Funds and Accounts in the following order: FIRST to the Interest Account; SECOND to the Principal Account; and THIRD to the Reserve Fund;
- (ii) on any Interest Payment Date any Revenues collected by the Trustee and which are in excess of the amounts required to be applied in (i) above will be transferred by the Trustee to the District Trustee to be used to pay project costs or as otherwise provided in the District Indenture, provided that the amount of any such excess shall be established by a Cash Flow Certificate delivered to the Trustee, together with the Written Certificate of the Authority.

Repayment of the District Bonds

General. The principal of, premium, if any, and the interest on the District Bonds, and the Administrative Expenses of the Authority and the District, are payable from the Special Taxes collected on real property within each Improvement Area for the applicable series of District Bonds and funds held by the District Trustee and available for such purposes pursuant to the District Indenture.

Each series of District Bonds is an obligation of the District payable solely from the proceeds of Special Taxes levied on certain parcels within Improvement Area Nos. 9, 10A, 12A and 14A, respectively. The District Bonds shall not be deemed to constitute a debt or liability of the State or of any political subdivision thereof, other than the District. Neither the faith and credit nor the taxing power of the City, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the District Bonds.

Special Taxes. The Special Taxes are excepted from the tax rate limitation of California Constitution Article XIII A pursuant to Section 4 thereof as a "special tax" authorized by at least a two-thirds vote of the qualified electors as set forth in the Act. Consequently, the City Council of the City on behalf of the District has the power and is obligated by the District Indenture to cause the levy and collection of the Special Taxes.

The District has covenanted in the District Indenture to levy (subject to the Maximum Annual Special Tax for the respective Improvement Area) in each Fiscal Year the Special Taxes within each Improvement Area in an amount sufficient to pay the debt service on the applicable series of District Bonds and the cost of providing certain Administrative Expenses of the District and the Authority.

The Special Taxes are to be levied and collected according to the Rate and Method of Apportionment of Special Tax for each respective Improvement Area described in the section entitled “**FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax**” herein and “**APPENDICES E, F, G and H**” herein.

Although the Special Taxes will constitute a lien on parcels of real property within each Improvement Area within the District, they do not constitute a personal indebtedness of the owner(s) of real property within the respective Improvement Areas. There is no assurance that the property owner(s), or any successors and/or assigns thereto or subsequent purchaser(s) of land within the District, will be able to pay the annual Special Taxes or if able to pay the Special Taxes that they will do so (see “**BONDOWNERS’ RISKS**” and “**THE DISTRICT - The Improvement Areas**” herein).

The Special Taxes initially are required to be collected by the Tax Collector of the County of Riverside in the same manner and at the same time as regular *ad valorem* property taxes are collected. When received, such Special Taxes will be deposited in the Special Tax Fund for the District to be held by the City and transferred by the City to the District Trustee as provided in the District Indenture.

Capitalized Interest. There will be an initial deposit to the District Bond Fund out of District Bond proceeds which has been calculated to be sufficient to make interest payments on the District Bonds for Improvement Area No. 14A, to and including September 1, 2004, and Improvement Area Nos. 9, 10A and 12A until September 1, 2003.

Improvement Area Escrow Funds.

To develop the property within the respective Improvement Areas, developers will be required to secure from the City the following permits or approvals (each a “Lot Approval”) evidencing the completion of certain work or the developer’s expenditure of funds relating to development of the property: (i) rough grading certification (“Rough Grading Certification”); (ii) “blue top” pad certification (“Blue Top Certification”); (iii) final map recordation (“Final Map”); (iv) building permit issuance “Building Permit”); and (v) final building inspection (“Final Inspection”). The developer’s receipt of each of these Lot Approvals from the City will result in a presumed increase in the value of each lot (or tentative lot) (“Augmentation Value”) as to which such approvals relate, as follows:

Lot Approval Categories	Cumulative Per Lot Augmentation Value
Rough Grading Certification	\$21,000
Blue Top Certification	\$25,000
Final Map	\$40,000
Building Permit	\$55,000
Final Inspection	As indicated by Sales Price
Maximum Total Amount Released per Lot	\$13,000

The Augmentation Value associated with Rough Grading Certification is based upon the presumed value added to a lot by the completion of rough grading of the lot. The Augmentation Value associated with Blue Top Certification is based upon the presumed value added to a lot when Rough Grading Certification has been obtained and adjoining streets have been cut and the lot has been finish graded. The Augmentation Value associated with Final Map is based upon the presumed value added to a lot when Rough Grading Certification and Blue Top Certification have been obtained and the City has recorded a final subdivision map creating the legal lot that may then be conveyed as a discrete parcel and accepted subdivision improvement bonds securing the completion of the public improvements required to serve the lot. The Augmentation Value associated with issuance of a Building Permit for the construction of a residence on a lot is based upon the presumed value added to a lot when Rough Grading Certification, Blue Top Certification and a Final Map have been obtained with all development fees paid and the City has issued a building permit for the construction of a residence on the lot. The Augmentation Value associated with Final Inspection is based upon the presumed value added to a lot when Rough Grading Certification, Blue Top Certification, a Final Map and a Building Permit have been obtained and a residence has been constructed on the lot and approved for occupancy pursuant to a final inspection by the City.

Quarterly, beginning three months after the Closing Date, the City's Special Tax Consultant is required to prepare a report (the "Quarterly Report") to determine whether any of the Lot Approvals identified above have been obtained with regard to each lot (or tentative lot) within each Improvement Area.

The City's Special Tax Consultant will multiply the number of lots for which Lot Approvals have been obtained in each category by the associated dollar amount stated above. The City's Special Tax Consultant will then total the dollar amounts and said total will constitute the total Augmentation Value for the property within each Improvement Area during the three month period represented by the Quarterly Report (the "Quarterly Augmentation Value"). The City's Special Tax Consultant will subtract the prior Quarterly Augmentation Value from the current Quarterly Augmentation Value and divide the resulting Augmentation Value by three. The resulting quotient will be deemed to be the amount to be released from the applicable Improvement Area Escrow Fund (the "Release Amount") and deposited in the Construction Fund. However, in no case will the total amounts deposited into the Improvement Fund, based upon the Augmentation Value of a particular lot, exceed \$13,000.

The City's Special Tax Consultant will prepare the written notice (the "Notice of Release of Escrow Funds") to the Trustee directing that the Release Amount be transferred from the Improvement Area Escrow Funds to the Construction Fund.

The Augmentation Values associated with each Lot Approval are current estimates of the value added to an average lot within each Improvement Area when the related Lot Approvals have been obtained. No assurance can be given that the actual value added to a lot, if any, with the Lot Approvals will equal the associated Augmentation Value and the actual value added, if any, may in fact be less than the associated Augmentation Value.

At any time after the Closing Date and prior to the release of all moneys held in any Improvement Area Escrow Fund, the applicable property owner, at its sole election, may cause a formal appraisal to be prepared, at its cost, consistent with the appraisal standards of the City to determine the value of the property (the "Additional Appraisal"). Copies of the Additional Appraisal are to be provided to the Financial Consultant, Bond Counsel, the City's Special Tax Consultant and the Underwriter. If the City's Special Tax Consultant approves the Additional Appraisal and the value of the property established by the Additional Appraisal indicates that additional moneys may be released from the Improvement Area Escrow Funds consistent with the City's policy of maintaining a value to lien ratio of 4 to 1, then the City's Special Tax Consultant will cause a Notice of Release of Escrow Funds to be provided to the Trustee for the Release Amount.

Covenant for Superior Court Foreclosure.

Pursuant to Section 53356.1 of the Act, in the event of a delinquency in the payment of the Special Taxes levied on any parcel within an Improvement Area, the District may order the institution of a superior court action to foreclose the lien therefor, provided such action is brought not later than four years after the final maturity date of the applicable series of District Bonds. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale.

The District has covenanted in the District Indenture for the benefit of the owners of the District Bonds that the District will determine or cause to be determined, no later than March 1 and August 1 of each year, whether or not any owners of the property within each Improvement Area of the District are delinquent in the payment of Special Taxes and, if such delinquencies exist, the District will order and cause to be commenced not later than April 15 (with respect to the March 1 determination date) or September 1 (with respect to the August 1 determination date), and thereafter diligently prosecute, an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due, provided, however, that the District shall not be required to order the commencement of foreclosure proceedings if (i) the total Special Tax delinquency in an Improvement Area for such Fiscal Year is less than five percent (5%) of the total Special Tax levied in such Fiscal Year, and (ii) the District shall have established from any source of lawfully available funds (other than Special Taxes) an escrow fund to provide for the payment of principal, and interest on the Series of District Bonds. Notwithstanding the foregoing, if the District determines that any property owner in each Improvement Area is delinquent in excess of ten thousand dollars (\$10,000) in the payment of the Special Tax, then it will diligently institute, prosecute and pursue foreclosure proceedings against such property owner. The City Clerk shall notify the Trustee and the City Attorney within 5 Business Days of March 1 and August 1 of any delinquency requiring the commencement of a foreclosure action pursuant to the District Indenture and the City Attorney shall commence, or cause to be commenced, such proceedings.

No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not require the District or the City to purchase or otherwise acquire any lot or parcel of property sold at the execution sale pursuant to the judgment in any such action if there is no other purchaser at such sale, nor does the Act specify the priority relationship, if any, between the Special Taxes and other taxes and assessment liens.

As a result of the foregoing, in the event of a delinquency or nonpayment by the property owners in the District of one or more Special Taxes installments, there can be no assurance that there would be available to the District sufficient funds to pay when due the principal of, interest on and premium, if any, on the applicable series of District Bonds (see “**BONDOWNERS’ RISKS - The District Bonds - Concentration of Ownership**” “**BONDOWNERS’ RISKS - The District Bonds - Bankruptcy and Foreclosure Delays**” and “**BONDOWNERS’ RISKS - The District Bonds - Property Controlled by Federal Deposit Insurance Corporation and other Federal Agencies**” herein).

Prepayment of Special Tax. A property owner may prepay its Special Taxes and thereby cause a redemption of a portion of the applicable series of District Bonds. See “**APPENDIX E – RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX - PREPAYMENT OF ANNUAL SPECIAL TAXES**” herein.

Special Taxes Are Not Within Teeter Plan. The County has adopted a Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, under which a tax distribution procedure is implemented and secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. However, by policy, the County does not include assessments, reassessments and special taxes in its Teeter program. The Special Taxes are not included in the County’s Teeter Program.

BONDOWNERS' RISKS

General

BEFORE PURCHASING ANY OF THE BONDS, ALL PROSPECTIVE INVESTORS AND THEIR PROFESSIONAL ADVISORS SHOULD CAREFULLY CONSIDER, AMONG OTHER THINGS, THE FOLLOWING RISK FACTORS, WHICH ARE NOT MEANT TO BE AN EXHAUSTIVE LISTING OF ALL RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS. MOREOVER, THE ORDER OF PRESENTATION OF THE RISK FACTORS DOES NOT NECESSARILY REFLECT THE ORDER OF THEIR IMPORTANCE.

The purchase of the Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the Bonds. Such risk factors include, but are not limited to, the following matters.

The Bonds

The ability of the Authority to pay the principal and interest on the Bonds depends upon the receipt by the Trustee of sufficient Revenues from repayment of the District Bonds, amounts on deposit in the Reserve Fund and interest earnings on amounts in the funds and accounts for the Bonds established by the Indenture. A number of risks that could prevent the District from repaying the District Bonds are outlined below.

Early Bond Redemption. The Bonds are subject to optional, special mandatory and mandatory redemption prior to their respective stated maturities. Special mandatory redemption from prepayment of District Bonds from amounts constituting prepayments of Special Taxes may occur on any date (see “**THE BONDS - Redemption**” herein).

No Liability of the Authority to the Owners. Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Bonds with respect to the payment when due of the District Bonds, or with respect to the observance or performance by the District of other agreements, conditions, covenants and terms required to be observed or performed by it under the District Bonds, the District Indenture or any related documents or with respect to the performance by the Trustee of any duty required to be performed by it under the Indenture.

Loss of Tax Exemption. As discussed under the caption “**LEGAL MATTERS - Tax Exemption**” herein, interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the Authority or the District in violation of their covenants contained in the Indenture and the District Indenture, respectively. Should such an event of taxability occur, the Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture.

IRS Audits. The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Secondary Market. There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

The District Bonds

Limited Obligation. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof other than the District is pledged to the payment of the District Bonds. Except for the Special Taxes derived from the applicable Improvement Area, no other taxes are pledged to the payment of a series of the District Bonds. The District Bonds are not general or special obligations of the City, the State or any political subdivision thereof or general obligations of the District, but are special obligations of the District, payable solely from net Special Tax Revenues and the other assets pledged therefor under the District Indenture.

Insufficiency of Special Tax Revenues. As discussed herein, the amount of Special Taxes that are collected with respect to each Improvement Area could be insufficient to pay principal of, interest and premium, if any, on the applicable series of District Bonds due to nonpayment of the Special Taxes levied and insufficient or no proceeds received from a foreclosure sale of land within the respective Improvement Area.

The District has covenanted in the District Indenture to institute foreclosure proceedings upon delinquencies in the payments of the Special Taxes as described herein and to sell any real property with a lien of delinquent Special Taxes to obtain funds to pay debt service on the applicable series of District Bonds. If foreclosure proceedings are ever instituted, any holder of a mortgage or deed of trust could, but would not be required to, advance the amount of delinquent Special Taxes to protect its security interest. See “**SOURCES OF PAYMENT FOR THE BONDS - Repayment of the District Bonds - Covenant for Superior Court Foreclosure**” herein for provisions which apply in the event foreclosure is required and which the District is required to follow in the event of delinquency in the payment of Special Taxes.

Section 53317.3 of the Act provides that, if any real property within the District not otherwise exempt from the Special Tax is acquired by a public entity through a negotiated transaction, or by gift or devise, the Special Tax will continue to be levied on and be enforceable against the public entity that acquires the property. Additionally, Section 53317.5 provides that, if any property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. However, the constitutionality and operation of these provisions of the Act have not been tested. If for any reason, property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity, such as the federal government or another public agency, and the District is unable to collect the Special Taxes or obtain compensation through the condemnation procedure, the Special Tax will be reallocated to the remaining taxable properties within the applicable Improvement Area up to the Maximum Annual Special Tax. This reallocation would result in the owners of taxable properties within each Improvement Area subject to the Special Tax paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax by such owners and therefore the ability to pay debt service on the Bonds.

Concentration of Ownership. With the exception of Improvement Area No. 9 (58 property owners) and Improvement Area No. 14A (2 property owners), there is currently a single property owner within each Improvement Area that owns all of the land within the applicable Improvement Area (see “**THE DISTRICT**” herein). The only asset of property owners which constitutes security for the District Bonds is its property holdings assessed within the applicable Improvement Area. There are expected to be subsequent transfers of ownership of the property within the District to merchant residential builders, to individual owners of single family homes and to commercial builders during the development of the land within the District. The fact that individual property owners own a significant percentage of land within each Improvement Area presents substantial risk to the Bondowners.

No Personal Liability for Special Taxes. No property owner, or any merchant builder or any officer, partner, member, or affiliate thereof will be personally liable for the payment of the Special Taxes to be applied to pay the principal of and interest on the applicable series of District Bonds. In addition, there is

no assurance that any property owner or any merchant builder will be able to pay the Special Taxes or that any property owner or any merchant builder will pay such Special Taxes even if it is financially able to do so. No representation is made that a property owner will have moneys available (or that it will advance such moneys, if available) to complete the development of the land within the Improvement Area in the manner described herein. Accordingly, no developer's or property owner's financial statements are included in this Official Statement. No property owner is obligated in any manner to continue to own any of the land it presently owns within the District.

Foreclosure and Sale Proceedings. Payment of the Special Taxes is secured by the parcels assessed. In the event an annual installment of the Special Taxes included in the County tax bill of an assessed parcel is not paid when due, the District can institute foreclosure proceedings in court to cause the parcel to be sold in order to recover the delinquent amount from the sale of proceeds (see **"SOURCES OF REPAYMENT FOR THE BONDS - Repayment of the District Bonds"** herein). Foreclosure and sale may not always result in the recovery of any or the full amount of delinquent Special Taxes.

Sufficiency of the foreclosure sales proceeds to cover the delinquent amount depends in part upon the market for and the value of the parcel at the time of the foreclosure sale (see **"Land Values"** below). The current appraised value is some evidence of such future value. However, future events may result in significant changes from the current appraised value. Such events could include changes in land ownership, development plans and other factors affecting the progress of land development, legal requirements affecting the development of parcels, a downturn in the economy, as well as a number of additional factors. Any of these factors may result in a significant erosion in value, with consequent reduced security of the District Bonds and, consequently, the Bonds.

Sufficiency of foreclosure sale proceeds to cover a delinquency may also depend upon the value of prior or parity liens and similar claims. A variety of governmental liens may presently exist or may arise in the future with respect to a parcel which, unless subordinate to the lien securing the Special Taxes, may effectively reduce the value of such parcel. Further, other governmental claims, such as hazardous substance claims, may affect the realizable value even though such claims may not rise to the status of liens.

Timely foreclosure and sale proceedings with respect to a parcel may be forestalled or delayed by a stay in the event the owner of the parcel becomes the subject of bankruptcy proceedings. Further, should the stay not be lifted, payment of Special Taxes may be subordinated to bankruptcy law priorities.

Land Values. If a property owner defaults in the payment of the Special Tax, the District's only remedy is to commence foreclosure proceedings against the defaulting property owner's real property within the District for which the Special Tax has not been paid, in an attempt to obtain funds to pay the delinquent Special Tax. Therefore, the value of the land and improvements within the Improvement Area is a critical factor in determining the investment quality of the applicable corresponding series of District Bonds and, therefore, the Bonds. Reductions in property values within the District due to a downturn in the economy or the real estate market, events such as earthquakes, droughts, or floods, stricter land use regulations, or other events may adversely impact the security underlying the Special Tax.

The District had the following two studies prepared in order to estimate the current aggregate market value of land in the Improvement Areas.

1. Market Absorption Study, City of Beaumont and Community Facilities District No. 93-1 Beaumont Financing Authority Series 2002 B prepared by Empire Economics, Capistrano Beach, California, updated October 7, 2002 (Original Study dated August 2002).
2. Appraisal Report, City of Beaumont Community Facilities District No. 93-1 Series 2002 B Bonds prepared by Harris Realty Appraisal, Newport Beach, California (the "Appraisal"), dated November 5, 2002.

Collectively, the studies are referred to herein as the “Appraisal Documents”.

The purpose of the Appraisal was to estimate the aggregate bulk value of each Improvement Area in its “as is” condition (which assumes sale of the Bonds and funding of publicly-financed improvements).

On the basis of the assumptions and limitations described in the Appraisal and in the Market Absorption Study, the Appraiser has estimated the aggregate discounted “bulk sale” value of all the parcels in the applicable Improvement Area as of November 1, 2002 to be as follows:

Improvement Area No. 9	\$9,800,000
Improvement Area No. 10A	\$7,000,000
Improvement Area No. 12A	\$3,370,000
Improvement Area No. 14A	\$24,000,000 (1)

The above amounts are approximately 3 times the principal amount of the applicable series of Bonds (excluding the portion relating to amounts within the Improvement Area Escrow Funds) and all overlapping debt (as described under the heading “**THE DISTRICT – Direct and Overlapping Debt**” herein). For a discussion regarding the terms for release of funds from the Escrow Fund, see “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds – Improvement Area Escrow Funds**” above and “**Value-to-Lien Ratio; Improvement Area Escrow Funds**” below.

Value-to-Lien Ratios; Improvement Area Escrow Funds. Pursuant to the current City Goals and Policies for Community Facilities Districts and Assessment Districts (the “Goals and Policies”), the value-to-lien ratio is required to be at least 3 to 1 (the “Value-to-Lien Requirement”). Upon the issuance of the Bonds, the value-to-lien ratio will be 3 to 1 for each applicable series of Bonds, calculated with respect to all direct and overlapping tax and assessment debt as of the estimated closing date, excluding the principal amount of the Bonds relating to Bond proceeds deposited into the Improvement Area Escrow Funds as of the Closing Date. See “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds – Improvement Area Escrow Funds**” above).

Prospective purchasers of the Bonds should not assume that the land and improvements could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. In particular, the values of individual properties in the Improvement Area will vary in some cases significantly. The actual value of the land is subject to future events which might render invalid some or all of the basic assumptions of the Appraiser. The future value of the land can be expected to fluctuate due to many different, not fully predictable, real estate related investment risk factors, including, but not limited to: general tax law changes related to real estate, changes in competition, general area employment base changes, population changes, changes in real estate related interest rates affecting general purchasing power, advertising, changes in allowed zoning uses and density, natural disasters such as floods, earthquakes and landslides, and similar factors.

(1) Subsequent to the date of the Appraisal, Pulte Homes has recorded four final maps totaling 354 lots. The current Augmentation Value is \$38,160,000, according to the City’s Engineer.

Appraisals in general are the result of an inexact process, and estimated market value is dependent, in part, upon assumptions which may or may not be realized and upon market conditions and perceptions of market value, which are likely to change over time. The appraisal valuations represent opinions only and are not intended to be absolutes or assurances of specific resale values. If more than one appraiser were employed, it is reasonable to assume that a reasonable range of value opinions on the land and improvement value within the District would be reflected depending upon personal professional interpretation of data, facts and circumstances reviewed and assumptions employed. Prospective purchasers should not assume that the land could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes.

A copy of the Appraisal Documents are included in the Appendices. The summary herein of some of the conclusions in the Appraisal Documents does not purport to be complete. Reference is made to the Appraisal Documents for further information. The District makes no representations as to the value of the real property within the District, and prospective purchasers of the Bonds are referred to the Appraisal Documents referred to above in evaluating the value of real property within the District.

The Progress of Land Development; Risks of Real Estate Secured Investments. Land development is an activity subject to substantial risk. Risk factors include, without limitation, general or local economic conditions; local real estate market conditions; supply of or demand for competitive properties; changes in the real estate tax rate and development fees such as the Riverside County Transportation Uniform Mitigation Fee Program and the Multi-Species Habitat Conservation Program; governmental regulation and approval requirements, particularly environmental quality, endangered species, land use, zoning and building requirements; development, financing and marketing capabilities of the various landowners; natural disasters, including without limitation earthquakes, flood and fire which may result in uninsured losses; and accomplishment of development plans on a timely basis, including but not limited to the provision of infrastructure improvements in addition to the District's improvements.

Since these are largely business risks of the type that landowners customarily evaluate individually, and inasmuch as changes in land ownership may well mean changes in the evaluation with respect to any particular parcel, the District has undertaken the financing without regard to any such evaluation. Thus, the undertaking of the financing by the District in no way implies that the District has evaluated these risks or the reasonableness of these risks.

Further, the risk to the owners of the Bonds of development delays may be heightened when land ownership is concentrated in only a few landowners or developers. If ownership is concentrated, timely payment of the Special Taxes may be dependent upon the financing available to such owners or developers. Further, the continued progress of land development may be one of the present facts and circumstances forming the basis for the appraiser's opinion of value. Diminished values may lessen the effectiveness of foreclosure proceedings as a remedy.

The Special Taxes are to be collected from the owners of property located within the District, and levy of the Special Taxes is not dependent on the completion of the development of the properties within the District (see **"FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax"** herein). Nevertheless, the extent of completion of the development of the property within the District may affect the ability and willingness of property owners to pay the Special Taxes and may affect the market value of any property foreclosed upon for nonpayment of installments of the Special Taxes.

Geologic, Topographic and Climatic Conditions. Land and improvement value can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and private improvements of the parcels assessed and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes and overdraft of groundwater basins; topographic conditions such as earth movements and floods; and climatic conditions such as droughts.

Some of these factors have been taken into account, to a limited extent, in the design of the District's improvements and have or will be taken into account to a limited extent, in the design of other infrastructure and public improvements. The Beaumont-Cherry Valley Water District ("BCVWD") is aware of the overdraft of the groundwater basin from which a portion of the BCVWD's water supply is derived and is reviewing alternatives for providing an adequate supply of water as needed for existing and future development. Further, building codes require that some of these factors be taken into account, to a limited extent, in the design of private improvements of the parcels in the District. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of establishment between the present costs of protection and the future costs of lack of protections, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should the condition occur.

Water Supply Legislation. The Governor signed legislation on October 9, 2001 (Senate Bill No. 221) which prohibits the approval of a tentative tract map or a development agreement for a subdivision of property or more than 500 dwelling units unless the legislative body of a city or county or its planning commission provides written verification from the applicable public water supply system that a sufficient water supply is available for the development project. Sufficient water supply is defined as the total water supplies available during normal, single-dry, and multiple-dry years within a 20 year projection that will meet the projected demand associated with the proposed development project, in addition to existing and planned future uses, including, but not limited to, agricultural and industrial uses. The legislation became effective on January 1, 2002. It is not clear whether the legislation will apply to a project which already has a tentative tract map, but which is expected to be subdivided further. The legislation provides that it shall not apply to any residential project proposed for a site that is within an urbanized area and has been previously developed for urban uses, or where the immediate contiguous properties surrounding the residential project area are, or previously have been, developed for urban uses. It also provides that it is not intended to change existing law concerning a public water system's obligation to provide water service to its existing customers or to any potential future customers. Nevertheless, the legislation provides for interested parties seeking mandamus to compel compliance with its provisions. The application of this legislation will undoubtedly be subject of litigation and ultimate determination by the courts.

Availability of Water. Studies conducted indicate that the groundwater basin has been overdrafted by present uses. Development will increase water requirements within the groundwater basin. The San Geronio Pass Water Agency is completing construction of a pipeline which will enable water from the State Water Project to be recharged into the groundwater basin. No resolution has been reached among various public and private water interests as to the allocation of the costs for purchase of supplemental water and recharge of the groundwater basin. The City of Beaumont is a member of the San Timoteo Watershed Management Authority which is also in the process of developing supplemental sources of water supply including water recycling and storm water recharge.

Local Water Service. All water for the District will be provided by the BCVWD. At this time, no assurances can be given that adequate water supply will be available to support continued development when drought conditions occur (see "**The Progress of Land Development – Risks of Real Estate Secured Investments**" herein).

Endangered and Threatened Species. During the past several years, there has been an increase in activity at the State and federal level related to the listing and possible listing of certain plant and animal species found in the State as endangered species and in programs designed to set aside additional geographical areas for habitat conservation. A technical memorandum summarizing recommendations regarding areas being considered for conservation under the Western Riverside County Multi-Species Habitat Conservation Plan (MSHCP) was released. Although none of the areas within the Improvement Area has been included in the MSHCP study area, there is no assurance that such areas will remain excluded from the MSHCP study area or future study areas. An increase in the number of endangered

species and/or the designation of additional habitat areas to be subjected to conservation planning similar to areas subject to the Western Riverside County MSHCP is expected to curtail development in a number of areas in the State. The Improvement Area is not known to contain any plant or animal species which either the California Fish and Game Commission or the United States Fish and Wildlife Service has listed as endangered, or to the knowledge of the Authority, proposed for addition to the endangered species list. Notwithstanding the above, approvals of the California Department of Fish and Game and the U.S. Army Corps of Engineers may be required to complete a portion of the development within the Improvement Area which has yet to be graded or cleared. Further approval may be required for any planned clearing of land or construction across or impacting waterways, creeks or other drainages. If required, there is no assurance that such approvals will be obtained and that development will be permitted to proceed as projected.

On a regular basis, new species are proposed to be added to the State and federal protected species lists. Regardless of the stage of entitlements and actual development of a particular development, any action by the State or federal governments to protect species located on or adjacent to the property within the District could negatively affect a developer's ability to complete the development of the properties within the District as planned. This, in turn, could reduce the ability or the willingness of the property owners to pay the Special Taxes when due and would likely reduce the value of the land and the potential revenues available at a foreclosure sale for delinquent Special Taxes.

Earthquakes. Southern California is among the most seismically active regions in the United States. The occurrence of seismic activity in the District could result in substantial damage to properties in the District which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their Special Taxes. Any major damage to structures as a result of seismic activity could result in a greater reliance on Undeveloped Property in the payment of Special Taxes. In the event of a severe earthquake, there may be significant damage to both property and infrastructure in the District. As a result, a substantial portion of the property owners may be unable or unwilling to pay the Special Taxes when due. In addition, the value of land in the District could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of Special Taxes.

Certain procedures and design standards are required to be followed during the construction of buildings within the District to ensure that each building is designed and constructed to meet, at a minimum, the highest seismic standards required by law.

Legal Requirements. Other events which may affect the value of a parcel include changes in the law or application of law. Such changes may include, without limitation, local growth control initiatives; local utility connection moratoriums; and local application of statewide tax and governmental spending limitation measures.

Other Possible Claims Upon the Values of an Assessed Parcel. In addition to existing property taxes, other governmental obligations, such as general obligation bonds, assessments or special taxes may be authorized in the future, the tax, assessment or charge for which may become an obligation of one or more of the parcels within the District and may be secured by a lien on a parity with the lien of the Special Taxes securing the District Bonds.

In general, as long as the Special Taxes securing the District Bonds are collected on the County tax roll, the Special Taxes and all other taxes, assessments and charges also collected on the tax roll are on a parity with each other. Questions of priority become significant when collection of one or more of the taxes, assessments or charges is sought by some other procedure, such as foreclosure and sale. Otherwise, in the event of such foreclosure proceedings, the Special Taxes will generally be on a parity with the other taxes, assessments and charges. The Special Taxes will have priority over non-governmental liens on a parcel, regardless of whether or not the non-governmental liens are in existence at the time of creation of any lien securing the Special Taxes.

While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels in the District be affected by a hazardous substance, is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming the owner, will become obligated to remedy the condition just as is the seller.

The values expressed herein, do not take into account the possible reduction in marketability and value of any of the parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The District is not aware that the owner (or operator) of any of the parcels has such a current liability with respect to any of the parcels in the District. However, it is possible that such liabilities do currently exist.

Further, it is possible that liabilities may arise in the future with respect to one or more of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous or may arise in the future resulting from the existence, currently, on the parcel of a substance presently not classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly reduce the value of a parcel.

Bankruptcy Proceedings. Regardless of the priority of the Special Taxes securing the District Bonds over non-governmental liens on parcels, the exercise by the District of the foreclosure and sale remedy may be forestalled or delayed by bankruptcy, reorganization, insolvency, or other similar proceedings of the owner of a parcel. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings perhaps for an extended period. Delay in exercise of remedies, especially if the owners own parcels the Special Taxes of which are significant or if bankruptcy proceedings are instituted with respect to a number of owners owning parcels the Special Taxes of which are significant, may result in periodic Special Tax collections which may be insufficient to pay the debt service on the District Bonds. Further, should remedies be exercised under the bankruptcy law against the parcels, payment of Special Taxes may be subordinated to other claims in the bankruptcy proceedings. Thus, certain claims may have priority over a claim for unpaid Special Taxes, even though, in the absence of the bankruptcy proceedings, no such priority would exist.

Bankruptcy and Foreclosure Delays. The payment of the Special Taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Tax, as discussed in the section herein entitled “**SOURCES OF PAYMENT FOR THE BONDS**” may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State of California relating to judicial foreclosure.

The various legal opinions to be delivered concurrently with the delivery of the Bonds and the District Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments, by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the Special Taxes to become extinguished, bankruptcy of a property owner or of a partner or other owner of a property owner within an Improvement Area could result in a delay in prosecuting superior court foreclosure proceedings and could result in loss of priority of the lien securing any Special Taxes with respect to Special Taxes levied while bankruptcy proceedings are pending. In addition, the amount of any lien on property securing the payment of delinquent Special Taxes could be reduced if the value of the property were determined by the bankruptcy court to have become less than the amount of the lien, and the amount of the delinquent Special Taxes in excess of the reduced lien could be treated as an unsecured claim by the court. Such delay or loss of priority or nonpayment, would increase the likelihood of a delay or default in payment of the principal of and interest on the District Bonds and the possibility of delinquent Special Tax installments not being paid in full. To the extent a significant percentage of the property in each Improvement Area continues to be owned by a limited number of property owners, the payment of the Special Taxes and the ability of the District to foreclose the lien of a delinquent unpaid Special Taxes installment could be delayed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

On July 30, 1992, the United States Court of Appeals for the Ninth Circuit issued its opinion in a bankruptcy case entitled *In re Glasply Marine Industries*. In that case, the court held that *ad valorem* property taxes levied by Snohomish County in the State of Washington after the date that the property owner filed a petition for bankruptcy were not entitled to priority over a secured creditor with a prior lien on the property. The court upheld the priority of unpaid taxes imposed after the filing of the bankruptcy petition as "administrative expenses" of the bankruptcy estate, payable after all secured creditors. As a result, the secured creditor was to foreclose on the property and retain all of the proceeds of the sale except the amount of the pre-petition taxes.

According to the court's ruling, as administrative expenses, post-petition taxes would have to be paid, assuming that the debtor has sufficient assets to do so. In certain circumstances, payment of such administrative expenses may be allowed to be deferred. Once the property is transferred out of the bankruptcy estate (through foreclosure or otherwise) it would at that time become subject to current *ad valorem* taxes.

The Act provides that the Special Taxes are secured by a continuing lien, which is subject to the same lien priority in the case of delinquency as *ad valorem* taxes. No case law exists with respect to how a bankruptcy court would treat the lien for the Special Taxes levied after the filing of a petition in bankruptcy. *Glasply* is controlling precedent for bankruptcy courts in the State. If the *Glasply* precedent was applied to the levy of the Special Tax, the amount of Special Tax received from parcels whose owners declared bankruptcy could be reduced.

It should also be noted that on October 22, 1994, Congress enacted 11 U.S.C. Section 362(b)(18), which added a new exception to the automatic stay for *ad valorem* property taxes imposed by a political subdivision after the filing of a bankruptcy petition. Pursuant to this new provision of law, in the event of a bankruptcy petition filed on or after October 22, 1994, the lien for *ad valorem* taxes in subsequent fiscal years will attach even if the property is part of the bankruptcy estate. Bondowners should be aware that the potential effect of 11 U.S.C. Section 362(b)(18) on the Special Taxes depends upon whether a court were to determine that the Special Taxes should be treated like *ad valorem* taxes for this purpose.

Additional Taxation. On June 3, 1986, California voters approved an amendment to Article XIII A of the California Constitution to allow local governments and school districts to raise their property tax rates above the constitutionally mandated 1% ceiling for the purpose of repaying certain new general obligation debt issued for the acquisition or improvement of real property and approved by at least two-thirds of the votes cast by the qualified electorate. If any such voter-approved debt is issued, it may be on a parity with the lien of the Special Taxes on the parcels within each Improvement Area.

Parity Taxes and Special Assessments. The Special Taxes and any penalties thereon will constitute a lien against the lots and parcels of land within the Improvement Area on which they will be annually imposed until they are paid in full. Such lien is on a parity with all special taxes and special assessments levied by other public entities, agencies and districts and is co-equal to and independent of the lien for general property taxes regardless of when they are imposed upon the same real property. The Special Taxes have priority over all existing and future private liens imposed on the real property within the Improvement Area. The District, however, has no control over the ability of other public entities, agencies and districts to issue indebtedness secured by special taxes or assessments payable from all or a portion of the real property within the District and other public entities may issue payable from Special Taxes. Any such special taxes or assessments may have a lien on such real property on a parity with the Special Taxes (see “**DEBT STRUCTURE - Direct and Overlapping Debt**” herein).

Accordingly, the liens on the real property within each Improvement Area could greatly increase, without any corresponding increase in the value of the property within the Improvement Area and thereby severely reduce the lien to value ratio of the land secured public debt existing at the time the Bonds are issued. The imposition of such additional indebtedness could also reduce the willingness and ability of the property owners within the Improvement Areas to pay the Special Taxes when due.

Disclosure to Future Land Buyers. A “Notice of Special Tax Lien” for each Improvement Area was recorded pursuant to Section 53328.3 of the Act and Section 3114.5 of the Streets and Highways Code, with the County Recorder for the County (the “County Recorder”). The Notice sets forth, among other things, the Rate and Method of Apportionment of Special Tax, the Assessor’s Parcel Numbers within each Improvement Area as of the date of recording the Notice, and the boundaries of each Improvement Area by reference to the map(s) recorded with the County Recorder. While title insurance and search companies normally refer to such notices in title reports, and sellers of property within the District are required to give prospective buyers a notice of special tax in accordance with Sections 53360.2 or 53341.5 of the Act, there can be no assurances that such reference will be made or notice given, or if made or given, that prospective purchasers or lenders will consider such Special Tax obligation in the purchase of land within the respective Improvement Area or the lending of money thereon. Failure to disclose the existence of the Special Tax may affect the willingness and ability of future landowners within the Improvement Area to pay the Special Tax when due.

Billing of Special Taxes. A special tax can result in a substantially heavier property tax burden being imposed upon properties within a community facilities district than elsewhere in a city or county, and this in turn can lead to problems in the collection of the special tax. In some community facilities districts the taxpayers have refused to pay the special tax and have commenced litigation challenging the special tax, the community facilities district and the bonds issued by the district.

Under provisions of the Act, the Special Taxes are billed to the properties within the District which were entered on the Assessment Roll of the County Assessor by January 1 of the previous fiscal year on the regular property tax bills sent to owners of such properties. Such Special Tax installments are due and payable, and bear the same penalties and interest for non-payment, as do regular property tax installments. These Special Tax installment payments cannot be made separately from property tax payments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies may also indicate an unwillingness or inability to make regular property tax payments and installment payments of Special Taxes in the future. See “**SOURCES OF PAYMENT FOR THE BONDS - Repayment of the District Bonds - Covenant for Superior Court Foreclosure**” for a discussion of the provisions which apply, and procedures which the District is obligated to follow, in the event of delinquency in the payment of installments of Special Taxes.

Collection of Special Tax. In order to pay debt service on the applicable series of District Bonds, it is necessary that the Special Tax levied against land within the related Improvement Area be paid in a timely manner. The District has covenanted in the District Indenture under certain conditions to institute foreclosure proceedings against property with delinquent Special Tax in order to obtain funds to pay debt service on the applicable series of District Bonds. If foreclosure proceedings were instituted, any mortgage or deed of trust holder could, but would not be required to, advance the amount of the delinquent Special Tax to protect its security interest. In the event such superior court foreclosure is necessary, there could be a delay in principal and interest payments to the Authority as the owner of the applicable series of District Bonds pending prosecution of the foreclosure proceedings and receipt of the proceeds of the foreclosure sale, if any. No assurances can be given that the real property subject to foreclosure and sale at a judicial foreclosure sale will be sold or, if sold, that the proceeds of such sale will be sufficient to pay any delinquent Special Tax installment. Although the Act authorizes the District to cause such an action to be commenced and diligently pursued to completion, the Act does not specify the obligations of the District with regard to purchasing or otherwise acquiring any lot or parcel of property sold at the foreclosure sale if there is no other purchaser at such sale. See **“SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds - Covenant for Superior Court Foreclosure”**.

Maximum Rates. Within the limits of the Rate and Method of Apportionment of Special Tax for each Improvement Area, the District may adjust the Special Tax levied on all property within the respective Improvement Area to provide an amount required to pay debt service on the applicable series of District Bonds and other obligations of the respective Improvement Area, and the amount, if any, necessary to pay all annual Administrative Expenses and make rebate payments to the United States government. However, the amount of the Special Tax that may be levied against particular categories of property within the respective Improvement Area is subject to the maximum rates provided in the Rate and Method of Apportionment of Special Tax for such Improvement Area. There is no assurance that the maximum rates will at all times be sufficient to pay the amounts required to be paid by the District Indenture. See **“FINANCIAL INFORMATION - Rate and Method of Apportionment of Special Tax”**.

Exempt Properties. Certain properties are exempt from the Special Tax in accordance with the respective Rate and Method of Apportionment of Special Tax and provisions of the Act. The Act provides that properties or entities of the State, federal or local government at the time of formation of the District or the Improvement Area are exempt from the Special Tax; provided, however, that property within the District acquired by a public entity through negotiated transactions, or by gift or devise, which is not otherwise exempt from the Special Tax will continue to be subject to the Special Tax. In addition, the Act provides that if property subject to the Special Tax is acquired by a public entity through eminent domain proceedings, the obligation to pay the Special Tax with respect to that property is to be treated as if it were a special assessment and be paid from the eminent domain award. The constitutionality and operation of these provisions of the Act have not been tested. If for any reason property subject to the Special Tax becomes exempt from taxation by reason of ownership by a non-taxable entity such as the federal government, or another public agency, subject to the limitation of the maximum authorized rate of levy, the Special Tax may be reallocated to the remaining taxable properties within the respective Improvement Area. This would result in the owners of such property paying a greater amount of the Special Tax and could have an adverse impact upon the timely payment of the Special Tax; however, the amount of Special Tax to be levied and collected from the property owner is subject to the Maximum Special Tax as set forth in the Rate and Method of Apportionment of Special Tax for such Improvement Area and to the limitation in the Act that under no circumstances may the Special Taxes levied on any residential parcel be increased by more than ten percent as a consequence of delinquency by the owner of any parcel. If a substantial portion of land within any Improvement Area became exempt from the Special Tax because of public ownership, or otherwise, the maximum Special Tax which could be levied upon the remaining acreage might not be sufficient to pay principal of and interest on the applicable series of District Bonds when due and a default will occur with respect to the payment of such principal and interest.

The Act further provides that no other properties or entities are exempt from the Special Tax unless the properties or entities are expressly exempted in a resolution of consideration to levy a new special tax or to alter the rate or method of apportionment of an existing special tax. The Act would prohibit the City Council, acting as the legislative body of the District, from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the City Council, acting as the legislative body of the District determined that the reduction or termination of the Special Tax “would not interfere with the timely retirement” of the applicable series of District Bonds. See “**BONDOWNERS’ RISKS - Right to Vote on Taxes Act**” below.

Insufficient Special Taxes. Under the Rate and Method of Apportionment of Special Tax, the annual amount of Special Tax to be levied on each taxable parcel in each Improvement Area will be based primarily on whether such parcel is developed or not and, for Developed Property, on the type of structure and square footage of buildings constructed. See “**APPENDIX E**”. Accordingly, to the extent Undeveloped Property does not become Developed Property, the collection of the Special Taxes will be dependent on the willingness and ability of the owners of Undeveloped Property to pay such Special Taxes when due. Such event may result in an unwillingness of such owners of the Undeveloped Property to pay additional Special Taxes.

No Acceleration Provision. The District Indenture does not contain a provision allowing for the acceleration of the principal of the District Bonds in the event of a payment default or other default under the terms of the District Bonds or the District Indenture. Accordingly, the Indenture does not contain a provision allowing for acceleration of the Bonds.

Property Controlled by Federal Deposit Insurance Corporation and other Federal Agencies. The District’s ability to collect interest and penalties specified by State law and to foreclose the lien of a delinquent Special Tax payment may be limited in certain respects with regard to properties in which the Internal Revenue Service, the Drug Enforcement Agency, the Federal Deposit Insurance Corporation (the “FDIC”) or other similar federal agencies has or obtains an interest. Specifically, with respect to the FDIC, on June 4, 1991, the FDIC issued a Statement of Policy Regarding the Payment of State and Local Real Property Taxes. The 1991 Policy Statement was revised and superseded by a new Policy Statement effective January 9, 1997 (the “Policy Statement”). The Policy Statement provides that real property owned by the FDIC is subject to state and local real property taxes only if those taxes are assessed according to the property’s value, and that the FDIC is immune from real property taxes assessed on any basis other than property value. According to the Policy Statement, the FDIC will pay its property tax obligations when they become due and payable and will pay claims for delinquent property taxes as promptly as is consistent with sound business practice and the orderly administration of the institution’s affairs, unless abandonment of the FDIC’s interest in the property is appropriate. The FDIC will pay claims for interest on delinquent property taxes owed at the rate provided under state law, to the extent the interest payment obligation is secured by a valid lien. The FDIC will not pay any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. If any property taxes (including interest) on FDIC owned property are secured by a valid lien (in effect before the property became owned by the FDIC), the FDIC will pay those claims. The Policy Statement further provides that no property of the FDIC is subject to levy, attachment, garnishment, foreclosure or sale without the FDIC’s consent. In addition, the FDIC will not permit a lien or security interest held by the FDIC to be eliminated by foreclosure without the FDIC’s consent.

The Policy Statement states that FDIC generally will not pay non ad valorem taxes, including special assessments, on property in which it has a fee interest unless the amount of tax is fixed at the time that the FDIC acquires its fee interest in the property, nor will it recognize the validity of any lien to the extent it purports to secure the payment of any such amounts. Special taxes imposed under the Mello-Roos Act and a special tax formula which determines the special tax due each year, are specifically identified in the Policy Statement as being imposed each year and therefore covered by the FDIC’s federal immunity. With respect to property in California owned by the FDIC on January 9, 1997, and that was owned by the Resolution Trust Corporation (the “RTC”) on December 31, 1995, or that became property of the FDIC through foreclosure of a security interest held by the RTC on that date, the FDIC

will continue the RTC's prior practice of paying special taxes imposed pursuant to the Mello-Roos Act if the taxes were imposed prior to the RTC's acquisition of an interest in the property. All other special taxes, including the Special Taxes which secure the District Bonds may be challenged by the FDIC.

The FDIC has filed claims against the County of Orange with respect to Mello-Roos community facilities district special taxes in the United States Bankruptcy Court and in Federal District Court in which the FDIC has taken a position similar to the position outlined in the Policy Statement. While all of such claims have not been resolved, the Bankruptcy Court has issued a tentative ruling in favor of the FDIC on certain of such claims. The County of Orange has appealed such ruling and the FDIC has cross-appealed. The decision of the United States Court of Appeals for the 9th Circuit (the "9th Circuit Court") was filed on August 28, 2001. In its decision, the 9th Circuit Court stated that the FDIC, as a federal agency, is exempt from the Mello-Roos special tax. The FDIC has also filed suit (the "post-bankruptcy" suit) regarding special taxes imposed after 1994. However, such action has been stayed pending resolution of the 9th Circuit Court appeal by the FDIC regarding the bankruptcy case. The post-bankruptcy suit has recently been consolidated with the cases filed by the FDIC against other California counties and is pending in the United States District Court in Los Angeles. The FDIC has filed a motion to lift the bankruptcy stay.

The Authority and the District are unable to predict what effect the application of the Policy Statement would have in the event of a delinquency with respect to a parcel in which the FDIC has an interest, although prohibiting the lien of the FDIC to be foreclosed on at a judicial foreclosure sale would likely reduce the number of or eliminate the persons willing to purchase such a parcel at a foreclosure sale. Owners of the Bonds should assume that the Authority and the District will be unable to foreclose on any parcel owned by the FDIC. The Authority has not undertaken to determine whether the FDIC currently has, or is likely to acquire, any interest in any of the parcels, and therefore expresses no view concerning the likelihood that the risks described above will materialize while the Bonds are outstanding.

Limitations on Remedies. Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the District Bonds or to preserve the tax-exempt status of the Bonds. Bond Counsel has limited its opinion as to the enforceability of the Bonds and the District Bonds and of the Indenture and the District Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or others similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the District Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the owners of the District Bonds, and the obligations incurred by the District, may become subject to the federal bankruptcy code and bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against joint powers authorities in the State. See **"BONDOWNERS' RISKS - The District Bonds -Bankruptcy and Foreclosure Delays", "Billing of Special Taxes"** and **"Property Controlled by Federal Deposit Insurance Corporation and Other Federal Agencies"** herein.

Right to Vote on Taxes Act. An initiative measure commonly referred to as the “Right to Vote on Taxes Act” was approved by the voters of the State of California at the November 5, 1996 general election. Proposition 218 added Article XIII C (“Article XIII C”) and Article XIII D to the California Constitution. According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, the Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Generally, the provisions of Proposition 218 have not yet been interpreted by the courts, although a number of lawsuits have been filed requesting the courts to interpret various aspects of Proposition 218.

Among other things, Section 3 of Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge.” Proposition 218 provides for a procedure, which includes notice, hearing, protest and voting requirements to alter the rate and method of apportionment of an existing special tax. However, Proposition 218 prohibits a legislative body from adopting any resolution to reduce the rate of any special tax or terminate the levy of any special tax pledged to repay any debt incurred pursuant to Proposition 218 unless such legislative body determines that the reduction or termination of the special tax would not interfere with the timely retirement of that debt. Although the matter is not free from doubt, it is likely that the exercise by the voters in the District of the initiative power referred to in Article XIII C to reduce or terminate the Special Tax is subject to the same restrictions as are applicable to the District, pursuant to the Act. Accordingly, although the matter is not free from doubt, it is likely that the Proposition 218 has not conferred on the voters in the District the power to repeal or reduce the Special Taxes if such reduction would interfere with the timely retirement of the District Bonds.

It may be possible, however, for voters or the District to reduce the Special Taxes in a manner which does not interfere with the timely repayment of the District Bonds, but which does reduce the maximum amount of Special Taxes that may be levied in any year below the existing levels. Therefore, no assurance can be given with respect to the levy of Special Taxes for Administrative Expenses. Furthermore, no assurance can be given with respect to the future levy of the Special Taxes in amounts greater than the amount necessary for the timely retirement of the District Bonds.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination or the timeliness of any remedy afforded by the courts.

Ballot Initiatives and Legislative Measures. Proposition 218 was adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the City or local districts to increase revenues or to increase appropriations or on the ability of a property owner to complete the development of the property.

THE AUTHORITY

The Authority is a joint exercise of powers authority organized and existing under and by virtue of the Joint Powers Act. The City, pursuant to Resolution No. 1993-20 adopted on April 12, 1993, and the Agency, pursuant to Resolution No. BRA 93-1 adopted on April 12, 1993, formed the Authority by the execution of a Joint Exercise of Powers Agreement (the “Joint Powers Agreement”).

The Authority is governed by a five-member Board which consists of all members of the City Council. The Mayor of the City is appointed the Chairperson of the Authority. The City Manager acts as the Executive Director of the Authority.

The Bond Law provides for the issuance of revenue bonds of joint exercise of powers authorities, such as the Authority, to be repaid solely from the revenues of certain public obligations, such as the District Bonds. The Authority has no taxing power. Pursuant to the Bond Law, the Authority is authorized to issue its revenue bonds for the purpose of financing, among other things, public capital improvement projects.

The Bonds are being sold to provide moneys to enable the Authority to purchase the District Bonds. The Authority authorized the execution of the Indenture and the purchase of the District Bonds pursuant to Resolution No. BFA 2002-02 adopted November 19, 2002.

Government Organization

Pursuant to the Joint Powers Agreement, the City Council of the City acts as the Governing Board of the Authority. The City Council members, their occupations and term expiration dates are as follows:

<u>Board Member</u>	<u>Term Expires</u>
Brian DeForge, Chairperson	December, 2006
Larry Dressel, Vice Chairperson	December, 2006
Roger Berg, Member	December, 2006
Jeffery Fox, Member	December, 2004
Placido Valdivia, Member	December, 2004

The City performs certain general administrative functions for the Authority. The costs of such functions, as well as additional services performed by City staff are allocated annually to the Authority. The Authority reimburses the City for such allocated costs out of available Revenues. Current City Staff assigned to administer the Authority include:

Alan C. Kapanicas, *Authority Executive Director, City Manager,
Finance Director and Deputy City Clerk
and Authority Executive Director*

David Dillon, *Director of Economic Development*

Martha (Lynn) Chance, *City Clerk*

THE DISTRICT

The information set forth herein regarding ownership of real property in the District, the property owners and any proposed development of property in the District was provided by others and has not been independently verified. The Authority makes no representation as to the accuracy or completeness of any such information. This information has been included because it is considered relevant to an informed evaluation of the District. As development of property in the District has not been completed, no assurance can be given that it will occur, that it will occur as described herein, or that it will occur in a timely manner. The information should not be construed to suggest that the Bonds or the Special Taxes that will be used to pay the Bonds are personal obligations of the property owners within the Improvement Areas.

The owners of property within each Improvement Area will not be personally liable for payments of the Special Taxes to be applied to pay the principal of and interest on the Bonds. Accordingly, the developer's or property owner's financial statements have not been included in this Official Statement. Furthermore, no representation is made that the property owner will have funds available to complete the development within the applicable Improvement Area.

General Description of the District

The District consists of 19 separate Improvement Areas. The Improvement Areas are generally located on the outskirts of the current developed portions of the City (see **"Map of the District"** herein).

Qualified electors within each of the Improvement Areas have approved a separate Rate and Method of Apportionment of Special Tax for their specific Improvement Area. The District, from time to time, has issued bonds to finance improvements within a specific Improvement Area secured solely by Special Taxes levied within such Improvement Area.

The Bonds are secured by the repayment of the District Bonds to be issued on behalf of Improvement Area Nos. 9, 10A, 12A and 14A (see **"Map of the Improvement Areas"** herein).

In December 1999, the City completed proceedings for the formation of Assessment District No. 98-1. Improvement Area No. 14A is included within Assessment District No. 98-1. The Bonds finance all of the Critical Facility and Joint Facility obligations of Improvement Area No. 14A under the Assessment District No. 98-1 proceedings. These obligations were released with the issuance of the Authority's 2000 Local Agency Revenue Bonds, Series A. A property owner within Improvement Area No. 14A has requested, and the City has agreed, to release the balance of the lien for Individual Facilities which could have been financed by Assessment District No. 98-1 concurrent with the issuance of the Bonds.

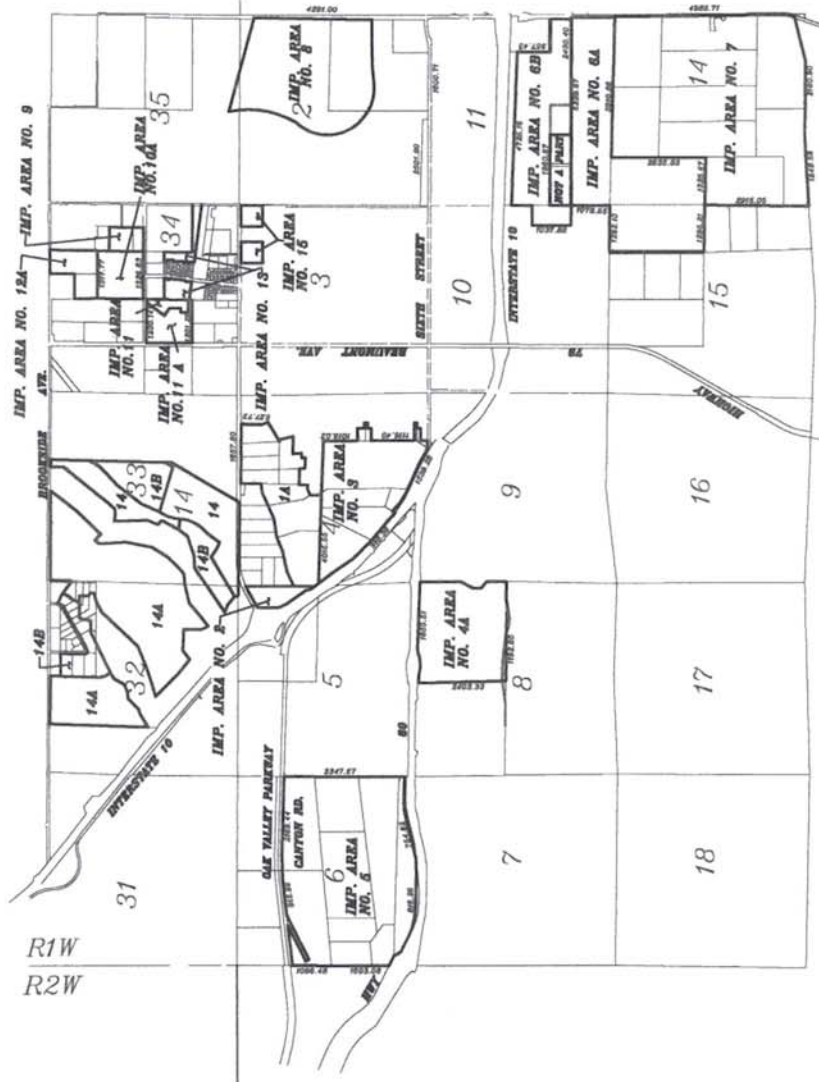
AMENDED MAP NO. 9

PROPOSED BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. 93-1

CITY OF BEAUMONT, COUNTY OF RIVERSIDE,

STATE OF CALIFORNIA

URBAN LOGIC CONSULTANTS, INC. NOVEMBER, 2002



FILED THIS _____ DAY OF _____, 20____, AT THE HOUR OF _____ O'CLOCK _____ M.
IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

BY _____ DEPUTY
NO. _____
FEE _____

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT NO. 93-1 IN THE CITY OF BEAUMONT, CALIFORNIA, WAS PREPARED BY A LICENSED PROFESSIONAL SURVEYOR, AND THAT THE CITY OF BEAUMONT AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 20____, BY ITS RESOLUTION NOS. _____

FILED IN THE OFFICE OF THE CITY OF BEAUMONT THIS _____ DAY OF _____, 20____.

BY _____
DEPUTY CITY CLERK

UPON RECONCILIATION THIS MAP AMENDS THE BOUNDARY MAP FOR THE COMMUNITY FACILITIES DISTRICT NO. 93-1 FOR THE CITY OF BEAUMONT IN THE COUNTY OF RIVERSIDE, CALIFORNIA. THE PREVIOUS MAP WAS FILED IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE OFFICE OF THE COUNTY RECORDER FOR THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

The following list summarizes landowners in Improvement Area Nos. 9, 10A, 12A and 14A along with their forecasted dwelling units:

**TABLE NO. 1
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT 93-1
PARTICIPATING DEVELOPMENT PROJECTS**

	<u>Acreage</u>	<u>Dwelling Units</u>
Improvement Area No. 9 - Cougar Ranch LLC	14.00	69
Improvement Area No. 10A - Cougar Ranch LLC	40.11	147
Improvement Area No. 12A - Victoria Homes	29.14	108
Improvement Area No. 14A - Pulte Homes	179.34	898
Improvement Area No. 14A - Temecula Valley LLC	77.54	479

For a more detailed description of each of the Improvement Areas see “**The Improvement Areas**” herein.

Land Use Entitlements and Governmental Regulations

Each of the Improvement Areas has various levels of land use entitlements ranging from general plan to zoning to approved specific plan, approved tentative tract maps, and in some cases, final tract maps. All projects are consistent with the City’s General Plan. A more detailed discussion of development within each Improvement Area is included in the following section entitled “**The Improvement Areas**”.

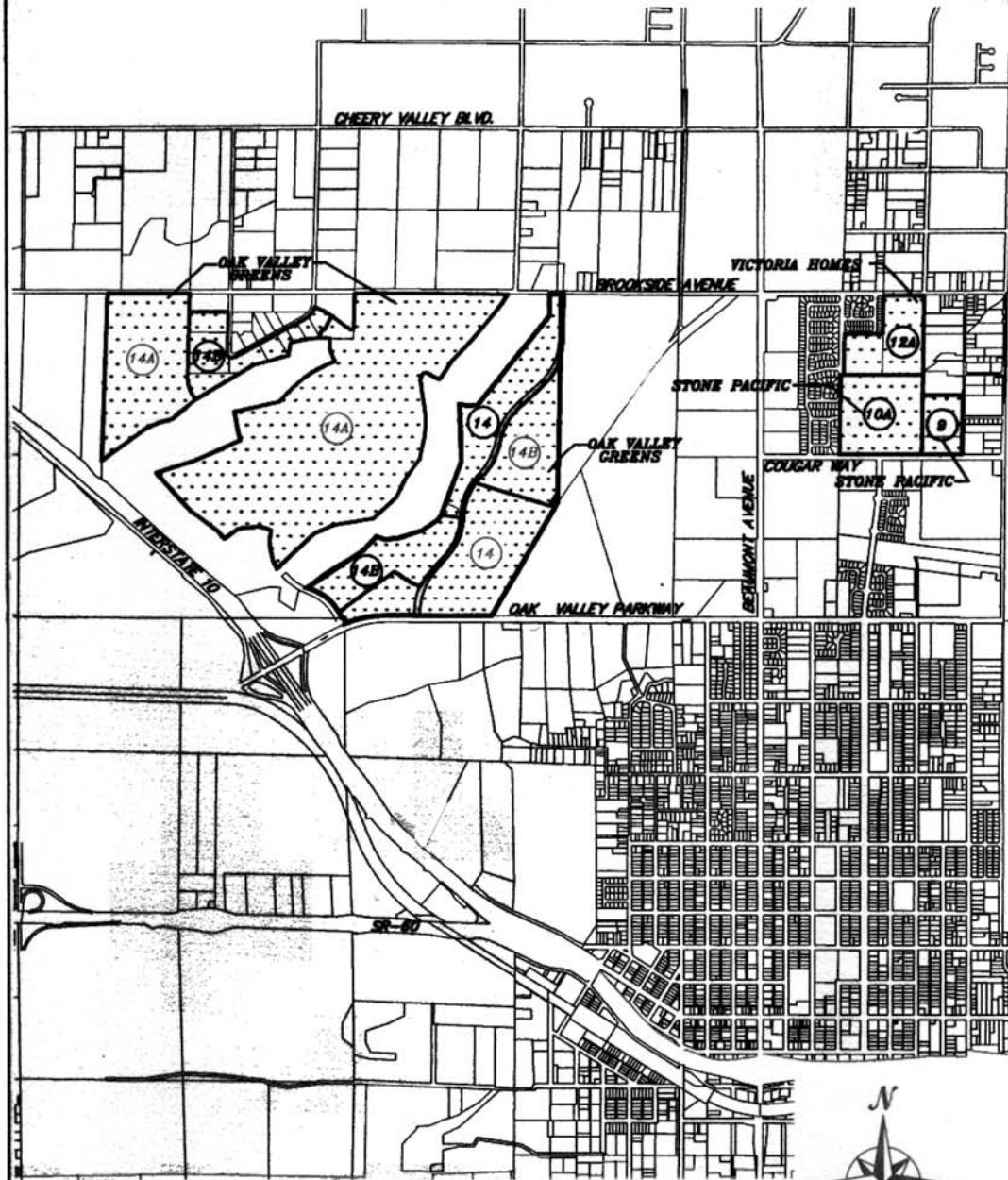
In addition to the responsible agencies which will own, maintain and operate District facilities, numerous other public agencies will be involved in the review and permitting of public facilities included in the District and future development within the District. The following is a partial listing of public agencies having jurisdiction at various levels of the permitting process for District facilities:

- U.S. Army Corps of Engineers
- U.S. Fish and Wildlife Service
- U.S. Environmental Protection Agency
- State Office of Research and Planning
- State Department of Fish and Game
- State Office of Historic Preservation
- State Regional Water Quality Control Board
- Riverside County Transportation Commission
- Beaumont-Cherry Valley Water District

Land development within the District may be affected by changes in governmental regulation and approval requirements, particularly endangered species and environmental quality (see “BONDOWNERS’ RISKS” herein).

**CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
PARTICIPATING PROJECTS-SERIES 2003 A**

SHEET 1 OF 1 SHEET



 PARTICIPATING PROJECTS

 IMPROVEMENT AREA NO.



Urban Logic Consultants



43517 Ridge Park Drive, Suite 200
Tomball, California 92590
Tel: (909) 676-1944 Fax: (909) 676-2054

Facilities to be Financed by the District

The adopted District resolutions authorize the issuance of District Bonds to fund the planning, design, permitting and construction of certain public facilities (see “**Map of the Joint and Critical Facilities**”), consisting of street, sewer, water and storm drain improvements and contributions to the City sewage treatment plant and watershed management planning. The authorized public facilities proposed for funding through the issuance of District Bonds include the following:

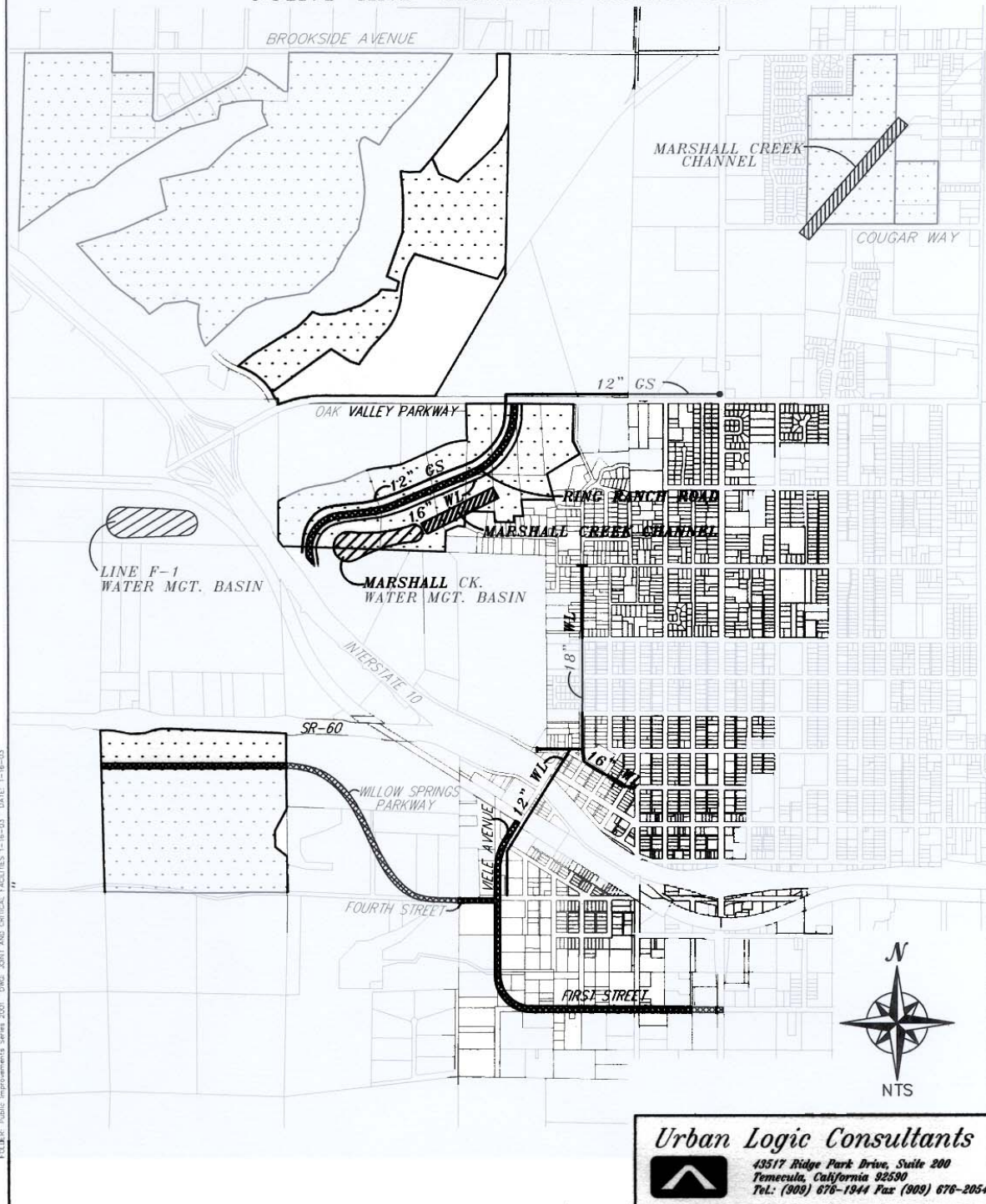
Critical Facilities. Critical facilities are those facilities which have the highest priority in terms of the City of Beaumont’s Comprehensive Public Facilities Financing Program (the “City Program”). Critical Facilities represent programs and improvements that have highest priority in terms of the City Program. Included in the list of Critical Facilities are City Program costs related to the domestic water system, the transportation system and program facilities which include upgrades to the City wastewater treatment plant and San Timoteo watershed improvements.

Joint Facilities. Joint facilities are those facilities which have the second highest priority in terms of the City Program. Joint facilities represent improvements which benefit multiple Improvement Areas within the District. Included in joint facilities is the Upper Potrero sewer system.

Individual Facilities. Individual facilities are those facilities which have the lowest priority in terms of the City Program. Individual facilities represent improvements that generally benefit individual Improvement Areas within the District. Included in individual facilities are master planned, in tract water, sewer and park improvements. Included in the financing are improvements to the local streets, sanitary sewer and storm drain system.

**CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
SERIES 2003 A AND SERIES 2003 B
JOINT AND CRITICAL FACILITIES**

SHEET 1 OF 1 SHEET



File: C:\Users\City\Public\Beaumont - FLE - Revised - Open-Public - FLE - Series 2003
FLE - Revised - Open-Public - FLE - Series 2003 - Joint and Critical Facilities - 1-16-03 DATE: 1-16-03

Urban Logic Consultants
43517 Ridge Park Drive, Suite 200
Temecula, California 92590
Tel.: (909) 676-1944 Fax (909) 676-2054

The following table summarizes authorized District facilities which are to be designed, acquired or constructed through the financing.

TABLE NO. 2
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT 93-1
FACILITIES COSTS
(Estimated Costs)

	Critical Facilities	Joint Facilities	Individual Facilities	Total
Improvement Area No. 9 & 10A - Stone Pacific	\$ 435,790	\$ 849,667	\$ 207,000	\$ 1,492,457
Improvement Area No. 12A - Victoria Homes	217,895	424,833	280,191	922,919
Improvement Area No. 14A - Oak Valley Greens AR	<u>2,778,159</u>	<u>6,828,200</u>	<u>3,355,749</u>	<u>12,962,108</u>
Total	\$ 3,431,844	\$ 8,102,700	\$ 3,842,940	\$ 15,377,484

Market Absorption Study

The District retained Empire Economics, Capistrano Beach, California to prepare the Market Absorption Study dated August 2002. Subsequently, the Market Absorption Study summary was updated December 30, 2002. The District had the Market Absorption Study prepared to provide an independent estimate of the phasing and absorption of future development within each Improvement Area. The Appraiser utilized the absorption schedules as part of the Discounted Cash Flow Analysis contained in the Appraisal. The discounted cash flow analysis provides an estimate of the present value of the property to be developed within each Improvement Area. The absorption schedules represent a critical component of the Appraisal. The discounted value is lower in amount the longer the period of time required for absorption (see “**APPENDIX C – MARKET ABSORPTION STUDY**” herein). Due to the change in ownership and/or changes in the development plans, certain assumptions in the Market Absorption Study are different than that presented in this Official Statement.

The Appraisal

All estimates and projections included in the Appraisal are based on known data and information available as of the date of value. The estimates are not intended to represent guarantees of future sales rates or resale value. Future value of the land within the District can be expected to fluctuate due to many different, not fully predictable, real estate related investment risk factors (see “**BONDOWNERS’ RISKS – Land Values**” herein).

Prospective purchasers of the Bonds should not assume that the property within the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Taxes. The actual value of the property is subject to future events which might render invalid the basic assumptions contained in the Appraisal (see “**BONDOWNERS’ RISKS**” for a discussion of factors that could prevent or delay development within the District). See the Appraisal Report attached hereto as “**APPENDIX D**” for a complete description of the assumptions made and a description of the valuation methodology used by the Appraiser. See “**APPENDIX D – APPRAISAL REPORT**”. The Appraisal Report is based, in part, on the Market Absorption Study. See “**THE DISTRICT - Market Absorption Study**” and “**APPENDIX C –MARKET ABSORPTION STUDY**”.

The District authorized Harris Realty Appraisal to prepare an appraisal for each Improvement Area (the “Appraisal”). The purpose of the appraisal was to estimate the aggregate bulk value of each Improvement Area in its “as is” condition (which assumes sale of the Bonds for funding of publicly-financed improvements).

Based on the investigation and analyses undertaken, Harris Realty Appraisal’s experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in the Appraisal (see “**APPENDIX D**” herein), the following opinions of Market Value were formed as of November 1, 2002. Due to the change in ownership and/or changes in the development plans, certain assumptions in the Appraisal Report are different than that presented in this Official Statement.

Improvement Area No. 9

\$9,800,000 (Rd.)

Improvement Area No. 10A

\$7,000,000 (Rd.)

Improvement Area No. 12A

\$3,370,000 (Rd.)

Improvement Area No. 14A

\$24,000,000 (Rd.)

The Improvement Areas

Improvement Area No. 9

The following section describes Improvement Area 9 in terms of the type of project, the status of land use entitlements and a brief discussion of the experience and plans of the developer related to the development for Improvement Area 9.

There can be no assurance that the development plan described herein will be completed or that it will not be modified in the future. In addition, there can be no assurance that sufficient funds will or can be made available to complete the development plan or pay special taxes as described herein.

Improvement Area No. 9 is being developed by the same builder as Improvement Area No. 10A. Please see Improvement Area No. 10A for further details regarding the builder, type of homes, etc. All completed homes, with the exception of the model homes, have been sold within Improvement Area No. 9. The model homes are being used in conjunction with the sale of homes in Improvement Area No. 10A. There are also eight finished lots within Improvement Area No. 9.

Improvement Area No. 10A

The following section describes Improvement Area 10A in terms of the type of project, the status of land use entitlements and a brief discussion of the experience and plans of the developer related to the development for Improvement Area 10A.

There can be no assurance that the development plan described herein will be completed or that it will not be modified in the future. In addition, there can be no assurance that sufficient funds will or can be made available to complete the development plan or pay special taxes as described herein.

Improvement Area No. 10A is comprised of approximately 40.1 acres of land located on the north side of Cougar Way at Palm Avenue in the City of Beaumont, California. The land has an approved Tentative Tract Map No 30388 of 147 single family detached residential lots. Tract Maps 30388-1 and Tract Map No. 30388-2 for a total of 59 lots are completely improved and have recorded. On these tracts are 52 single family detached residential units ranging in size from 1,430 square feet to 1,872 square feet that are under construction and approximately 50% complete. Of the 52 units, 50 units are sold. The remaining 88 lots will be developed in 2003 and 2004, and the same configuration of residential units will be built on them.

The Development Plan

<u>Type of Development:</u>	147 single family detached homes
<u>Entitlements:</u>	Final map recorded for 59 lots; 52 homes under construction.
<u>Additional Government Approvals Required:</u>	U.S. Corp of Engineers approval; California Department of Fish and Game approval, and Regional Water Quality Control Board approval for Marshall Creek (14 lots impacted).
<u>Development Program:</u>	Development of 147 single family detached residential units, homes to be built by current property owner.
<u>Construction Financing:</u>	Key Bank National Association
<u>Size:</u>	Raw acreage of approximately 40.11 acres
<u>Estimated Lot Sizes:</u>	Lot sizes range from 6,000 sq. ft. to 16,023 sq. ft., and average 7,475 sq. ft.
<u>Estimated Home Size:</u>	Homes range from 1,430 – 1,872 sq. ft.
<u>Estimated Price Range:</u>	Homes are currently selling from \$145,000 - \$178,000
<u>Absorption Period:</u>	Close out 2003 (55 units per year)

Status of Permits and Approvals. Tentative maps have been approved for all 147 lots. Final maps for 59 lots have been recorded. A final map(s) for the balance of 88 lots is expected to be recorded by the end of 2003. The developer has graded the property and has constructed backbone infrastructure improvements, including storm drains, sewer, water, dry utilities, major roadways and interior road systems for 59 lots within the Improvement Area. The developer has constructed lots and in-tract street, sewer, water and dry utility improvements for the 59 detached single family housing lots. The developer is currently under construction on 52 homes at this time.

As of November 1, 2002, the cost to develop the 147 lots to the stage of finished lots ready to build homes with the foregoing backbone infrastructure was estimated as follows:

<u>Description</u>	<u>Estimated Cost</u>
Land & Entitlements	\$1,200,000
Infrastructure	1,547,000
Local in-tract improvements & grading costs	2,297,169
Fees, including school fees	<u>2,216,760</u>
Total	7,260,929

Fees are paid by the developer or merchant builder as building permits or certificates of occupancy are issued.

The developer has initially funded approximately \$2,906,153 of the foregoing costs and approximately \$1,247,000 of such costs are expected to be paid with the proceeds of the Bonds. The balance of the foregoing costs will be financed by the developer.

Mass grading of a portion of the developable property within Improvement Area No. 10A has commenced.

History of Property Tax Payment; Loan Defaults; Bankruptcy. The developer has made the following representations:

- (a) the developer and its Affiliates (as defined in the developer Continuing Disclosure Agreement) have not previously defaulted in a material amount or manner in payment of, and are not currently delinquent in the payment of, any ad valorem property taxes, special assessments or special taxes in any material amount or manner related to Improvement Area No. 10A or any of their other projects,
- (b) it is not currently in material default on any loans, lines of credit or other obligation related to its development in the District, and
- (c) there is no litigation or any nature in which the developer has been served, or to its actual knowledge, pending or threatened, which if successful, would materially adversely affect the ability of the developer to complete the development and sale of the property currently owned within the District or to pay District special taxes or ad valorem tax obligations when due on its property within the District.

Improvement Area No. 12A

The following section describes Improvement Area 12A in terms of the type of project, the status of land use entitlements and a brief discussion of the experience and plans of the developer related to the development for Improvement Area 12A.

There can be no assurance that the development plan described herein will be completed or that it will not be modified in the future. In addition, there can be no assurance that sufficient funds will or can be made available to complete the development plan or pay special taxes as described herein.

General Location: The property is bordered on the north by Brookside Avenue and on the west by Palm Avenue. The southern border is the northern border of the Cougar Ranch project in Improvement Area No. 10A.

Ownership: Victoria Homes, Inc. is the owner of all the land in Improvement Area No. 12A. Paul R. Osborne, founder and president, has been involved in the new home construction since 1958, starting as an independent contractor in general construction. During these past forty-five years he has been committed to providing both first-time and move-up buyers with the finest design and workmanship in the new home market.

Beaumont Heights consists of 108 lots for single family homes. There is currently an approved tentative map and an approved grading permit. Grading started in early September 2002. The final map has been recorded. Construction on the model complex has also started. The homes will range in size from approximately 1,600 square feet to over 2,400 square feet.

This is the first project for Victoria Homes in the Beaumont area. Mr. Osborne, Victoria Homes, has built in Pomona, Fontana, Ontario, Upland, Rialto, Bloomington, Colton, San Bernardino and Riverside. His body of work encompasses the construction of over 2,500 single family homes, as well as apartments, hotels and commercial projects.

It is anticipated construction on the infrastructure, starting with the sewer lines, as soon as the final map is recorded. The off-site work will continue right through until the project is complete.

The Development Plan

<u>Type of Development:</u>	108 single family detached homes
<u>Entitlements:</u>	Tentative Tract Map No. 30541 approved. Final map recorded mid-February on all 108 lots. Grading has been completed on 25 lots and a trailer on site for pre-sales. 38 homes have been presold.
<u>Additional Government Approvals Required:</u>	None
<u>Development Program:</u>	All homes to be built by owner-builder.
<u>Construction Financing:</u>	Citizen Bank
<u>Size:</u>	29.14 acres
<u>Estimated Lot Sizes:</u>	Average 8,400 sq. ft.
<u>Estimated Home Size:</u>	Approximately 1,591 – 2,470 sq. ft.

Estimated Price Range: \$160,000 - \$225,000
Absorption Period: Close out 2005 (36 units per year)

Status of Permits and Approvals. Tentative maps have been approved for all 108 lots as of June 4, 2002. Final maps for all 108 lots have been recorded. The developer is currently grading the property and constructing backbone infrastructure improvements, including storm drains, sewer, water, dry utilities, major roadways and interior road systems for 108 lots within the Improvement Area. The developer does not intend to sell any lots to merchant builders.

As of October 2002, the cost to develop the 108 lots to the stage of finished lots ready to build homes with the foregoing backbone infrastructure was estimated as follows:

<u>Description</u>	<u>Estimated Cost</u>
Land & Entitlements	\$1,300,000
Infrastructure	750,000
Local in-tract improvements & grading costs	850,000
Fees, including school fees	<u>1,720,000</u>
Total	\$4,620,000*

Fees are paid by the developer or merchant builder as building permits or certificates of occupancy are issued.

* This does not include the CFD portion.

The developer has initially funded approximately \$1,500,000 of the foregoing costs and approximately \$908,533 of such costs are expected to be paid with the proceeds of the Bonds, provided, however, that initially, only \$701,866 will be available in the Construction Fund to pay project costs, with additional funds to become available only if moneys are released from the Improvement Area No. 12A Escrow Fund. If funds are not released from the Escrow Fund, then the developer, or its successors, will need to finance its remaining project costs from other sources in order to complete its development within Improvement Area No. 12A (see “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the District Bonds – Improvement Area Escrow Funds**” herein). The balance of the foregoing costs will be financed by the developer or by merchant builders in accordance with purchase and sale agreements which may be entered into between the developer and each merchant builder.

Mass grading of all of the developable property within the Community Facilities District has commenced. Construction of the regional and in-tract infrastructure was commenced in November 2002.

History of Property Tax Payment; Loan Defaults; Bankruptcy. The developer has made the following representations:

- (a) the developer and its Affiliates (as defined in the developer Continuing Disclosure Agreement) have not previously defaulted in a material amount or manner in payment of, and are not currently delinquent in the payment of, any ad valorem property taxes, special assessments or special taxes in any material amount or manner related to Improvement Area No. 12A or any of their other projects,
- (b) it is not currently in material default on any loans, lines of credit or other obligation related to its development in the District, and

- (c) there is no litigation or any nature in which the developer has been served, or to its actual knowledge, pending or threatened, which if successful, would materially adversely affect the ability of the developer to complete the development and sale of the property currently owned within the District or to pay District special taxes or ad valorem tax obligations when due on its property within the District.

Improvement Area No. 14A

The following section describes Improvement Area 14A in terms of the type of project, the status of land use entitlements and a brief discussion of the experience and plans of the property owners/developers related to the development for Improvement Area 14A.

There can be no assurance that the development plan described herein will be completed or that it will not be modified in the future. In addition, there can be no assurance that sufficient funds will or can be made available to complete the development plan or pay special taxes as described herein.

Pulte Home Corporation, a Michigan corporation (“Pulte Homes”) closed escrow on approximately 179.34 net taxable acres of the 256.88 acres within Improvement Area No. 14A on November 26, 2002. Pulte Homes is a wholly owned subsidiary of Pulte Diversified Companies, Inc. (“PDCI”), which is a wholly owned subsidiary of Pulte Homes, Inc., a Michigan corporation established in 1951 (“Pulte”). Pulte is a publicly held holding company whose subsidiaries engage in the homebuilding and financial services businesses. Pulte Homes is the domestic land development and residential building arm of Pulte. Pulte also has a mortgage banking company, Pulte Mortgage Corporation (“PMC”), which is a subsidiary of Pulte Homes and which originates mortgage loans primarily for Pulte Homes’ buyers.

Pulte is one of the largest residential builders in the nation, delivering nearly 20,000 homes and generating over \$4.0 billion in revenue in 2000 and delivering nearly 23,000 homes and generating over \$5.0 billion in revenue in 2001. Since its inception, Pulte has built and sold over 300,000 homes within the continental United States. Pulte’s domestic homebuilding business focuses on the construction of housing for the first-time, first and second move-up, and active adult home buyers. Pulte also has international homebuilding operations primarily conducted through subsidiaries in Puerto Rico and Mexico, which are not reflected in the above figures. Pulte is geographically diversified, operating 43 divisions located in key markets throughout the nation and in Mexico, Argentina and Puerto Rico.

Pulte Homes’ Southern California active adult division is managing the development of the real property it owns within Improvement Area No. 14A. This division is currently developing and building homes throughout Southern California.

Temecula Valley, LLC, a Delaware limited liability company (“Temecula Valley, LLC”) was formed in July 2002. Lennar Homes of California, Inc., a California corporation (“Lennar”) and Double L Holdings LLC, a California limited liability company, each owns 50% of Temecula Valley, LLC. Lennar is the Administrative Member of Temecula Valley, LLC and is responsible for the day-to-day management of the affairs of the company. Temecula Valley, LLC owns parcels 1, 2, 3, 4 and 5 as described in Parcel Map 29102 consisting of approximately 77.54 undeveloped acres within the approximately 256.88 total acres in Improvement Area No. 14A. Temecula Valley, LLC has entered into an Option Agreement with Pulte Homes for the ultimate purchase of the property by November, 2003. There is an approved development plan for the property to be developed as residential, active adult, with the exception of approximately 20 home sites within parcel 4 which are not within Improvement Area No. 14A. There is presently no tentative or final mapping on the property. Temecula Valley, LLC, has no plans to develop the property further prior to the expiration of the option to Pulte Homes in November, 2003.

Lennar is a California corporation based in Mission Viejo, California that has been in the business of developing residential real estate communities in California since 1995. Lennar is a wholly owned subsidiary of Lennar Corporation, a Delaware corporation (“Lennar Corporation”), with headquarters in Miami, Florida. Lennar Corporation, founded in 1954 and public traded under the symbol “LEN” since 1971, is one of the nation’s largest home builders, operating under a number of brand names, including Lennar Homes, U.S. Home, and Greystone Homes in Southern California. At November 30, 2001 (Lennar Corporation’s fiscal year end) Lennar Corporation employed over 7,700 individuals, of whom approximately 4,700 were involved in homebuilding and land development operations, and owned approximately 55,000 homesites and had access to an additional 73,000 homesites through options or consolidated partnerships.

TABLE NO. 3
Improvement Area No. 14A
Proposed Development by Property Ownership

Planning	Area	Acres	Tract	Units	Type	Size	Ownership
	2.1	10.91	29197	168	SFA	15 du/ac	Lennar
	2.2	12.32	29198	84	SFD	4,000 sf	Lennar
	2.3	12.71	29199	63	SFD	5,000 sf	Lennar
	2.4	9.83	29200	38	SFD	6,000 sf	Lennar
	2.8	15.86	29201	48	SFD	10,000 sf	Lennar
	2.10	7.58	29203	26	SFD	8,000 sf	Lennar
	3.10 *	7.60	29196	39	SFD	4,000 sf	Lennar
	3.8 *	0.73	29192	13	SFA	15 du/ac	Lennar
	Subtotal	77.54		479			
	3.1	24.72	29186	124	SFD	5,000 sf	Pulte
	3.2	8.07	29187	57	SFD	4,000 sf	Pulte
	3.3	25.69	29189	109	SFD	6,000 sf	Pulte
	3.4	15.21	29188	64	SFD	6,000 sf	Pulte
	3.5	26.12	29191	166	SFD	4,000 sf	Pulte
	3.6	21.13	29193	91	SFD	6,000 sf	Pulte
	3.8 *	4.28	29192	21	SFD	4,000 sf	Pulte
	3.9	34.17	29194	172	SFD	5,000 sf	Pulte
	3.10 *	1.75	29196	9	SFD	4,000 sf	Pulte
	3.11	11.40	29195	57	SFD	4,000 sf	Pulte
	3.12	6.80	29194	28	SFD	8,000 sf	Pulte
	Subtotal	179.34		898			
				1377			

* Partial Ownership

The Development Plan

The property within Improvement Area No. 14A will be developed within the guidelines established by a Specific Plan #216, EIR229 for Improvement Area No. 14A-Renaissance at Oak Valley Greens adopted by the City Council, as amended July 16, 2002 by Resolution No. 2002-38. Under the Specific Plan there are three planning areas and up to 548 attached and 1,071 detached units may be developed within Improvement Area No. 14A. Notwithstanding the previous sentence, the proposed development set forth below may be built within existing City zoning ordinances.

The property purchased in November 2002 by Pulte Homes includes three separate planning areas as set forth in the Specific Plan. Pulte Homes has recorded two final tract maps for Planning Area 1, five final tract maps for Planning Area 3 and has approved tentative maps for the remaining property in Planning Area 3. The timing for map submittal and approval for Planning Area 2 has not yet been determined. Pulte Homes' current development plan is to decrease the total number of attached units from 334 to 181 within the three planning areas and to increase the number of detached units from 1,072 to 1,196. Such development would be consistent with the Specific plan, but is subject to change depending on market conditions and other factors. Furthermore, the District has reviewed such plan and has determined that

the proposed change in development would generate sufficient special taxes to repay the Improvement Area No. 14A Bonds. Before a final map reflecting such unit adjustments may be filed, the District must verify that the expected development will generate sufficient special taxes to repay the Improvement Area No. 14A Bonds or a special tax prepayment will be made by Pulte Homes.

Type of Development: 1,196 detached age-restricted single family homes and 181 attached age-restricted single family homes

Entitlements: 5 maps recorded (16 total maps)

Additional Government Approvals Required: Improvement Plans

Size: 256.88 gross acres

Estimated Lot Sizes: 4,000 – 8,000 sq. ft.

Estimated Home Size: 1,300 – 2,100 sq. ft. - detached
1,000 – 1,200 sq. ft. - attached

Estimated Price Range: \$175,000 - \$250,000 – detached
\$140,000 - \$155,000 - attached

Absorption Period: Close out 2011 – detached (150 units per year)
Close out 2012 – attached (55 units per year)

History of Property Tax Payment; Loan Defaults; Bankruptcy. Pulte Homes has made the following representations:

- (a) the developer and its Affiliates (as defined in the developer Continuing Disclosure Agreement) have not previously defaulted in a material amount or manner in payment of, and are not currently delinquent in the payment of, any ad valorem property taxes, special assessments or special taxes in any material amount or manner related to Improvement Area No. 14A or any of their other projects,
- (b) it is not currently in material default on any loans, lines of credit or other obligation related to its development in the District, and
- (c) there is no litigation or any nature in which the developer has been served, or to its actual knowledge, pending or threatened, which if successful, would materially adversely affect the ability of the developer to complete the development and sale of the property currently owned within the District or to pay District special taxes or ad valorem tax obligations when due on its property within the District.

DEBT STRUCTURE

Outstanding Indebtedness

The Authority. The Authority will not have any other indebtedness secured by the Revenues. Improvement Area Nos. 10A and 12A of the District will not have any other bonded indebtedness.

Improvement Area No. 9 currently has bonded indebtedness outstanding in the principal amount of \$250,355.77.

In 2000, Improvement Area No. 14 of the District issued Special Tax Bonds which were acquired by the Authority and pledged to the Authority's 2000 Local Agency Revenue Bonds, Series A. The 2000 District Bonds with respect to Improvement Area No. 14 are currently outstanding in the principal amount of \$10,775,000. Improvement Area No. 14A's approximate proportionate share of the 2000 District Bonds is \$3,663,500.

Additional Obligations

The Authority. The Bonds are part of an overall program for the financing of public capital improvements. The Authority, by the adoption of Resolution No. BFA 1993-04 on September 27, 1993, approved the Indenture which authorizes the issuance of Revenue Bonds to be issued in series, from time to time. The Third Supplemental Indenture is the Supplemental Indenture providing for the issuance of the Bonds. Each series of the bonds, including the Bonds, are separately secured by the Local Obligations acquired, in whole or in part, with the proceeds of such series and the funds and accounts established with respect to such series of the bonds. Only revenues which are surplus revenues (and which would otherwise be retained by the Authority free and clear of the pledge and lien securing repayment of a series of bonds) are pledged by the Authority to meet any deficiency in a reserve fund established for any other series of the bonds. No other revenues or other moneys derived with respect to a series of the bonds are available for payment of another series of the bonds.

The District. Pursuant to the provisions of the District Indenture, the District is not authorized to issue additional bonds in Improvement Area Nos. 9, 10A, 12A and 14A.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of January 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 9, in whole or in part. Such long-term obligations are not payable from District Special Taxes nor are they necessarily obligations secured by property within Improvement Area No. 9. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the property within Improvement Area No. 9 is subject to \$396,288 of direct and overlapping tax and assessment debt and overlapping general fund obligation debt, a figure which excludes the Bonds. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the property owners of the land within Improvement Area No. 9 must pay the annual Special Tax and the general property tax levy.

TABLE NO. 4 CITY OF BEAUMONT COMMUNITY FACILITIES DISTRICT NO. 93-1 (IMPROVEMENT AREA NO. 9)

2002-03 Local Secured Assessed Valuation: \$7,077,593

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/03</u>
Beaumont Unified School District	0.493%	\$ 11,142
City of Beaumont Community Facilities District No. 93-1, I.A. No. 9	100.	<u>275,137</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$286,279
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.009%	\$ 56,072
Riverside County Board of Education Certificates of Participation	0.009	1,301
Beaumont Unified School District Certificates of Participation	0.525	44,428
San Geronio Memorial Hospital District Authority	0.342	<u>8,208</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$110,009
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>576</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$109,433
 GROSS COMBINED TOTAL DEBT		 \$396,288 (2)
NET COMBINED TOTAL DEBT		\$395,712

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$275,137).....	3.89%
Total Direct and Overlapping Tax and Assessment Debt	4.04%
Gross Combined Total Debt.....	5.60%
Net Combined Total Debt	5.59%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of January 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 10A, in whole or in part. Such long-term obligations are not payable from District Special Taxes nor are they necessarily obligations secured by property within Improvement Area No. 10A. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the property within Improvement Area No. 10A is subject to \$535,395 of direct and overlapping tax and assessment debt and overlapping general fund obligation debt, a figure which excludes the Bonds. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the property owners of the land within Improvement Area No. 10A must pay the annual Special Tax and the general property tax levy.

**TABLE NO. 5
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
(IMPROVEMENT AREA NO. 10A)**

2002-03 Local Secured Assessed Valuation: \$412,351

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/03</u>
Beaumont Unified School District	0.029%	\$ 655
City of Beaumont Community Facilities District No. 93-1, I.A. No. 10	100.	<u>525,262</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$525,917
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.001%	\$ 6,230
Riverside County Board of Education Certificates of Participation	0.001	145
Beaumont Unified School District Certificates of Participation	0.031	2,623
San Geronio Memorial Hospital District Authority	0.020	<u>480</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$9,478
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>64</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$9,414
 GROSS COMBINED TOTAL DEBT		 \$535,395 (2)
NET COMBINED TOTAL DEBT		\$535,331

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$525,262)	127.38%
Total Direct and Overlapping Tax and Assessment Debt	127.54%
Gross Combined Total Debt.....	129.84%
Net Combined Total Debt	129.82%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of January 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 12A, in whole or in part. Such long-term obligations are not payable from District Special Taxes nor are they necessarily obligations secured by property within Improvement Area No. 12A. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the property within Improvement Area No. 12A is subject to \$180,760 of direct and overlapping tax and assessment debt and overlapping general fund obligation debt, a figure which excludes the Bonds. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the property owners of the land within Improvement Area No. 12A must pay the annual Special Tax and the general property tax levy.

**TABLE NO. 6
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
(IMPROVEMENT AREA NO. 12A)**

2002-03 Local Secured Assessed Valuation: \$694,759

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/03</u>
Beaumont Unified School District	0.048%	\$ 1,085
City of Beaumont Community Facilities District No. 93-1, I.A. No. 12	100.	<u>168,084</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$169,169
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.001%	\$ 6,230
Riverside County Board of Education Certificates of Participation	0.001	145
Beaumont Unified School District Certificates of Participation	0.052	4,400
San Geronio Memorial Hospital District Authority	0.034	<u>816</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$11,591
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>64</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$11,527
 GROSS COMBINED TOTAL DEBT		 \$180,760 (2)
NET COMBINED TOTAL DEBT		\$180,696

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$168,084)	24.19%
Total Direct and Overlapping Tax and Assessment Debt	24.35%
Gross Combined Total Debt.....	26.02%
Net Combined Total Debt	26.01%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., as of January 1, 2003. The Debt Report is included for general information purposes only. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of Improvement Area No. 14A, in whole or in part. Such long-term obligations are not payable from District Special Taxes nor are they necessarily obligations secured by property within Improvement Area No. 14A. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Presently, the property within Improvement Area No. 14A is subject to \$3,705,440 of direct and overlapping tax and assessment debt and overlapping general fund obligation debt, a figure which excludes the Bonds. To repay the direct and overlapping tax and assessment debt and overlapping lease obligation debt, the property owners of the land within Improvement Area No. 14A must pay the annual Special Tax and the general property tax levy.

**TABLE NO. 7
CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
(IMPROVEMENT AREA NO. 14A)**

2002-03 Local Secured Assessed Valuation: \$2,526,364

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/03</u>
Beaumont Unified School District	0.176%	\$ 3,978
City of Beaumont Community Facilities District No. 93-1, I.A. No. 14A	100.	<u>3,663,500</u> (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$3,667,478
 <u>OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Riverside County General Fund Obligations	0.003%	\$18,691
Riverside County Board of Education Certificates of Participation	0.003	434
Beaumont Unified School District Certificates of Participation	0.188	15,909
San Geronio Memorial Hospital District Authority	0.122	<u>2,928</u>
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$37,962
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		<u>192</u>
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$37,770
 GROSS COMBINED TOTAL DEBT		\$3,705,440 (2)
NET COMBINED TOTAL DEBT		\$3,705,248

(1) Excludes issue to be sold.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$3,663,500)	145.01%
Total Direct and Overlapping Tax and Assessment Debt	145.17%
Gross Combined Total Debt.....	146.67%
Net Combined Total Debt	146.66%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

Source: California Municipal Statistics, Inc.

Scheduled Debt Service on the Bonds

The following is the scheduled Debt Service on the Bonds.

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Annual Debt Service</u>
March 1, 2003				
September 1, 2003			\$ 589,480.46	\$ 589,480.46
March 1, 2004			689,003.13	
September 1, 2004	\$ 10,000.00	3.000%	689,003.13	1,388,006.26
March 1, 2005			688,853.13	
September 1, 2005	265,000.00	4.250%	688,853.13	1,642,706.26
March 1, 2006			683,221.88	
September 1, 2006	280,000.00	4.250%	683,221.88	1,646,443.76
March 1, 2007			677,271.88	
September 1, 2007	300,000.00	4.250%	677,271.88	1,654,543.76
March 1, 2008			670,896.88	
September 1, 2008	320,000.00	4.250%	670,896.88	1,661,793.76
March 1, 2009			664,096.88	
September 1, 2009	335,000.00	5.250%	664,096.88	1,663,193.76
March 1, 2010			655,303.13	
September 1, 2010	355,000.00	5.250%	655,303.13	1,665,606.26
March 1, 2011			645,984.38	
September 1, 2011	375,000.00	5.250%	645,984.38	1,666,968.76
March 1, 2012			636,140.63	
September 1, 2012	405,000.00	5.250%	636,140.63	1,677,281.26
March 1, 2013			625,509.38	
September 1, 2013	425,000.00	5.500%	625,509.38	1,676,018.76
March 1, 2014			613,821.88	
September 1, 2014	450,000.00	5.500%	613,821.88	1,677,643.76
March 1, 2015			601,446.88	
September 1, 2015	480,000.00	5.500%	601,446.88	1,682,893.76
March 1, 2016			588,246.88	
September 1, 2016	510,000.00	6.000%	588,246.88	1,686,493.76
March 1, 2017			572,946.88	
September 1, 2017	545,000.00	6.000%	572,946.88	1,690,893.76
March 1, 2018			556,596.88	
September 1, 2018	580,000.00	6.000%	556,596.88	1,693,193.76
March 1, 2019			539,196.88	
September 1, 2019	620,000.00	6.000%	539,196.88	1,698,393.76
March 1, 2020			520,596.88	
September 1, 2020	660,000.00	6.000%	520,596.88	1,701,193.76
March 1, 2021			500,796.88	
September 1, 2021	700,000.00	6.000%	500,796.88	1,701,593.76
March 1, 2022			479,796.88	
September 1, 2022	745,000.00	6.875%	479,796.88	1,704,593.76
March 1, 2023			454,187.51	
September 1, 2023	790,000.00	6.875%	454,187.51	1,698,375.02
March 1, 2024			427,031.25	
September 1, 2024	875,000.00	6.875%	427,031.25	1,729,062.50
March 1, 2025			396,953.14	
September 1, 2025	930,000.00	6.875%	396,953.14	1,723,906.28
March 1, 2026			364,984.39	
September 1, 2026	1,000,000.00	6.875%	364,984.39	1,729,968.78
March 1, 2027			330,609.38	
September 1, 2027	1,065,000.00	6.875%	330,609.38	1,726,218.76
March 1, 2028			294,000.00	
September 1, 2028	1,145,000.00	7.000%	294,000.00	1,733,000.00
March 1, 2029			253,925.00	
September 1, 2029	1,220,000.00	7.000%	253,925.00	1,727,850.00
March 1, 2030			211,225.00	
September 1, 2030	1,310,000.00	7.000%	211,225.00	1,732,450.00
March 1, 2031			165,375.00	
September 1, 2031	1,395,000.00	7.000%	165,375.00	1,725,750.00
March 1, 2032			116,550.00	
September 1, 2032	1,490,000.00	7.000%	116,550.00	1,723,100.00
March 1, 2033			64,400.00	
September 1, 2033	1,840,000.00	7.000%	64,400.00	1,968,800.00

Scheduled Debt Service on the District Bonds – Improvement Area No. 9

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Annual Debt Service</u>
March 1, 2003				
September 1, 2003			\$ 10,421.74	\$ 10,421.74
March 1, 2004			12,181.25	
September 1, 2004			12,181.25	24,362.50
March 1, 2005			12,181.25	
September 1, 2005			12,181.25	24,362.50
March 1, 2006			12,181.25	
September 1, 2006			12,181.25	24,362.50
March 1, 2007			12,181.25	
September 1, 2007			12,181.25	24,362.50
March 1, 2008			12,181.25	
September 1, 2008			12,181.25	24,362.50
March 1, 2009			12,181.25	
September 1, 2009			12,181.25	24,362.50
March 1, 2010			12,181.25	
September 1, 2010			12,181.25	24,362.50
March 1, 2011			12,181.25	
September 1, 2011			12,181.25	24,362.50
March 1, 2012			12,181.25	
September 1, 2012			12,181.25	24,362.50
March 1, 2013			12,181.25	
September 1, 2013			12,181.25	24,362.50
March 1, 2014			12,181.25	
September 1, 2014			12,181.25	24,362.50
March 1, 2015			12,181.25	
September 1, 2015			12,181.25	24,362.50
March 1, 2016			12,181.25	
September 1, 2016			12,181.25	24,362.50
March 1, 2017			12,181.25	
September 1, 2017			12,181.25	24,362.50
March 1, 2018			12,181.25	
September 1, 2018			12,181.25	24,362.50
March 1, 2019			12,181.25	
September 1, 2019			12,181.25	24,362.50
March 1, 2020			12,181.25	
September 1, 2020			12,181.25	24,362.50
March 1, 2021			12,181.25	
September 1, 2021			12,181.25	24,362.50
March 1, 2022			12,181.25	
September 1, 2022			12,181.25	24,362.50
March 1, 2023			12,181.25	
September 1, 2023			12,181.25	24,362.50
March 1, 2024			12,181.25	
September 1, 2024	\$ 25,000.00	6.875%	12,181.25	49,362.50
March 1, 2025			11,321.88	
September 1, 2025	25,000.00	6.875%	11,321.88	47,643.76
March 1, 2026			10,462.50	
September 1, 2026	30,000.00	6.875%	10,462.50	50,925.00
March 1, 2027			9,431.25	
September 1, 2027	30,000.00	6.875%	9,431.25	48,862.50
March 1, 2028			8,400.00	
September 1, 2028	35,000.00	7.000%	8,400.00	51,800.00
March 1, 2029			7,175.00	
September 1, 2029	35,000.00	7.000%	7,175.00	49,350.00
March 1, 2030			5,950.00	
September 1, 2030	40,000.00	7.000%	5,950.00	51,900.00
March 1, 2031			4,550.00	
September 1, 2031	40,000.00	7.000%	4,550.00	49,100.00
March 1, 2032			3,150.00	
September 1, 2032	45,000.00	7.000%	3,150.00	51,300.00
March 1, 2033			1,575.00	
September 1, 2033	45,000.00	7.000%	1,575.00	48,150.00

Scheduled Debt Service on the District Bonds – Improvement Area No. 10A

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Annual Debt Service</u>
March 1, 2003				
September 1, 2003			\$ 63,816.42	\$ 63,816.42
March 1, 2004			74,590.63	
September 1, 2004			74,590.63	149,181.26
March 1, 2005			74,590.63	
September 1, 2005			74,590.63	149,181.26
March 1, 2006			74,590.63	
September 1, 2006	\$ 5,000.00	4.250%	74,590.63	154,181.26
March 1, 2007			74,484.38	
September 1, 2007	10,000.00	4.250%	74,484.38	158,968.76
March 1, 2008			74,271.88	
September 1, 2008	10,000.00	4.250%	74,271.88	158,543.76
March 1, 2009			74,059.38	
September 1, 2009	15,000.00	5.250%	74,059.38	163,118.76
March 1, 2010			73,665.63	
September 1, 2010	20,000.00	5.250%	73,665.63	167,331.26
March 1, 2011			73,140.63	
September 1, 2011	25,000.00	5.250%	73,140.63	171,281.26
March 1, 2012			72,484.38	
September 1, 2012	30,000.00	5.250%	72,484.38	174,968.76
March 1, 2013			71,696.88	
September 1, 2013	35,000.00	5.500%	71,696.88	178,393.76
March 1, 2014			70,734.38	
September 1, 2014	40,000.00	5.500%	70,734.38	181,468.76
March 1, 2015			69,634.38	
September 1, 2015	45,000.00	5.500%	69,634.38	184,268.76
March 1, 2016			68,396.88	
September 1, 2016	50,000.00	6.000%	68,396.88	186,793.76
March 1, 2017			66,896.88	
September 1, 2017	60,000.00	6.000%	66,896.88	193,793.76
March 1, 2018			65,096.88	
September 1, 2018	65,000.00	6.000%	65,096.88	195,193.76
March 1, 2019			63,146.88	
September 1, 2019	75,000.00	6.000%	63,146.88	201,293.76
March 1, 2020			60,896.88	
September 1, 2020	80,000.00	6.000%	60,896.88	201,793.76
March 1, 2021			58,496.88	
September 1, 2021	85,000.00	6.000%	58,496.88	201,993.76
March 1, 2022			55,946.88	
September 1, 2022	90,000.00	6.875%	55,946.88	201,893.76
March 1, 2023			52,853.13	
September 1, 2023	95,000.00	6.875%	52,853.13	200,706.26
March 1, 2024			49,587.50	
September 1, 2024	105,000.00	6.875%	49,587.50	204,175.00
March 1, 2025			45,978.13	
September 1, 2025	110,000.00	6.875%	45,978.13	201,956.26
March 1, 2026			42,196.88	
September 1, 2026	120,000.00	6.875%	42,196.88	204,393.76
March 1, 2027			38,071.88	
September 1, 2027	125,000.00	6.875%	38,071.88	201,143.76
March 1, 2028			33,775.00	
September 1, 2028	135,000.00	7.000%	33,775.00	202,550.00
March 1, 2029			29,050.00	
September 1, 2029	145,000.00	7.000%	29,050.00	203,100.00
March 1, 2030			23,975.00	
September 1, 2030	155,000.00	7.000%	23,975.00	202,950.00
March 1, 2031			18,550.00	
September 1, 2031	165,000.00	7.000%	18,550.00	202,100.00
March 1, 2032			12,775.00	
September 1, 2032	175,000.00	7.000%	12,775.00	200,550.00
March 1, 2033			6,650.00	
September 1, 2033	190,000.00	7.000%	6,650.00	203,300.00

Scheduled Debt Service on the District Bonds – Improvement Area No. 12A

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Annual Debt Service</u>
March 1, 2003				
September 1, 2003			\$ 38,141.74	\$ 38,141.74
March 1, 2004			44,581.25	
September 1, 2004	\$ 10,000.00	3.000%	44,581.25	99,162.50
March 1, 2005			44,431.25	
September 1, 2005	15,000.00	4.250%	44,431.25	103,862.50
March 1, 2006			44,112.50	
September 1, 2006	15,000.00	4.250%	44,112.50	103,225.00
March 1, 2007			43,793.75	
September 1, 2007	20,000.00	4.250%	43,793.75	107,587.50
March 1, 2008			43,368.75	
September 1, 2008	25,000.00	4.250%	43,368.75	111,737.50
March 1, 2009			42,837.50	
September 1, 2009	25,000.00	5.250%	42,837.50	110,675.00
March 1, 2010			42,181.25	
September 1, 2010	25,000.00	5.250%	42,181.25	109,362.50
March 1, 2011			41,525.00	
September 1, 2011	25,000.00	5.250%	41,525.00	108,050.00
March 1, 2012			40,868.75	
September 1, 2012	30,000.00	5.250%	40,868.75	111,737.50
March 1, 2013			40,081.25	
September 1, 2013	30,000.00	5.500%	40,081.25	110,162.50
March 1, 2014			39,256.25	
September 1, 2014	30,000.00	5.500%	39,256.25	108,512.50
March 1, 2015			38,431.25	
September 1, 2015	30,000.00	5.500%	38,431.25	106,862.50
March 1, 2016			37,606.25	
September 1, 2016	35,000.00	6.000%	37,606.25	110,212.50
March 1, 2017			36,556.25	
September 1, 2017	35,000.00	6.000%	36,556.25	108,112.50
March 1, 2018			35,506.25	
September 1, 2018	40,000.00	6.000%	35,506.25	111,012.50
March 1, 2019			34,306.25	
September 1, 2019	40,000.00	6.000%	34,306.25	108,612.50
March 1, 2020			33,106.25	
September 1, 2020	45,000.00	6.000%	33,106.25	111,212.50
March 1, 2021			31,756.25	
September 1, 2021	45,000.00	6.000%	31,756.25	108,512.50
March 1, 2022			30,406.25	
September 1, 2022	50,000.00	6.875%	30,406.25	110,812.50
March 1, 2023			28,687.50	
September 1, 2023	50,000.00	6.875%	28,687.50	107,375.00
March 1, 2024			26,968.75	
September 1, 2024	55,000.00	6.875%	26,968.75	108,937.50
March 1, 2025			25,078.13	
September 1, 2025	60,000.00	6.875%	25,078.13	110,156.26
March 1, 2026			23,015.63	
September 1, 2026	65,000.00	6.875%	23,015.63	111,031.26
March 1, 2027			20,781.25	
September 1, 2027	70,000.00	6.875%	20,781.25	111,562.50
March 1, 2028			18,375.00	
September 1, 2028	75,000.00	7.000%	18,375.00	111,750.00
March 1, 2029			15,750.00	
September 1, 2029	80,000.00	7.000%	15,750.00	111,500.00
March 1, 2030			12,950.00	
September 1, 2030	85,000.00	7.000%	12,950.00	110,900.00
March 1, 2031			9,975.00	
September 1, 2031	90,000.00	7.000%	9,975.00	109,950.00
March 1, 2032			6,825.00	
September 1, 2032	95,000.00	7.000%	6,825.00	108,650.00
March 1, 2033			3,500.00	
September 1, 2033	100,000.00	7.000%	3,500.00	107,000.00

Scheduled Debt Service on the District Bonds – Improvement Area No. 14A

<u>Interest Payment Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Annual Debt Service</u>
March 1, 2003				
September 1, 2003			\$ 477,100.56	\$ 477,100.56
March 1, 2004			557,650.00	
September 1, 2004			557,650.00	1,115,300.00
March 1, 2005			557,650.00	
September 1, 2005	\$ 250,000.00	4.250%	557,650.00	1,365,300.00
March 1, 2006			552,337.50	
September 1, 2006	260,000.00	4.250%	552,337.50	1,364,675.00
March 1, 2007			546,812.50	
September 1, 2007	270,000.00	4.250%	546,812.50	1,363,625.00
March 1, 2008			541,075.00	
September 1, 2008	285,000.00	4.250%	541,075.00	1,367,150.00
March 1, 2009			535,018.75	
September 1, 2009	295,000.00	5.250%	535,018.75	1,365,037.50
March 1, 2010			527,275.00	
September 1, 2010	310,000.00	5.250%	527,275.00	1,364,550.00
March 1, 2011			519,137.50	
September 1, 2011	325,000.00	5.250%	519,137.50	1,363,275.00
March 1, 2012			510,606.25	
September 1, 2012	345,000.00	5.250%	510,606.25	1,366,212.50
March 1, 2013			501,550.00	
September 1, 2013	360,000.00	5.500%	501,550.00	1,363,100.00
March 1, 2014			491,650.00	
September 1, 2014	380,000.00	5.500%	491,650.00	1,363,300.00
March 1, 2015			481,200.00	
September 1, 2015	405,000.00	5.500%	481,200.00	1,367,400.00
March 1, 2016			470,062.50	
September 1, 2016	425,000.00	6.000%	470,062.50	1,365,125.00
March 1, 2017			457,312.50	
September 1, 2017	450,000.00	6.000%	457,312.50	1,364,625.00
March 1, 2018			443,812.50	
September 1, 2018	475,000.00	6.000%	443,812.50	1,362,625.00
March 1, 2019			429,562.50	
September 1, 2019	505,000.00	6.000%	429,562.50	1,364,125.00
March 1, 2020			414,412.50	
September 1, 2020	535,000.00	6.000%	414,412.50	1,363,825.00
March 1, 2021			398,362.50	
September 1, 2021	570,000.00	6.000%	398,362.50	1,366,725.00
March 1, 2022			381,262.50	
September 1, 2022	605,000.00	6.875%	381,262.50	1,367,525.00
March 1, 2023			360,465.63	
September 1, 2023	645,000.00	6.875%	360,465.63	1,365,931.26
March 1, 2024			338,293.75	
September 1, 2024	690,000.00	6.875%	338,293.75	1,366,587.50
March 1, 2025			314,575.00	
September 1, 2025	735,000.00	6.875%	314,575.00	1,364,150.00
March 1, 2026			289,309.38	
September 1, 2026	785,000.00	6.875%	289,309.38	1,363,618.76
March 1, 2027			262,325.00	
September 1, 2027	840,000.00	6.875%	262,325.00	1,364,650.00
March 1, 2028			233,450.00	
September 1, 2028	900,000.00	7.000%	233,450.00	1,366,900.00
March 1, 2029			201,950.00	
September 1, 2029	960,000.00	7.000%	201,950.00	1,363,900.00
March 1, 2030			168,350.00	
September 1, 2030	1,030,000.00	7.000%	168,350.00	1,366,700.00
March 1, 2031			132,300.00	
September 1, 2031	1,100,000.00	7.000%	132,300.00	1,364,600.00
March 1, 2032			93,800.00	
September 1, 2032	1,175,000.00	7.000%	93,800.00	1,362,600.00
March 1, 2033			52,675.00	
September 1, 2033	1,505,000.00	7.000%	52,675.00	1,610,350.00

SUMMARY OF THE LEGAL DOCUMENTS

THE INDENTURE

The following is a summary of certain provisions of the Indenture applicable to the Bonds and does not purport to be a complete restatement thereof. Reference is hereby made to the Indenture for further information in this regard. Copies of the Indenture are available from the Authority upon request upon payment of a charge for copying, handling and mailing. For convenience in the discussion below, references are made to certain funds and accounts relating to the Bonds. Under the Indenture, there are established separate Accounts and Funds relating to the Bonds, and for those bonds issued in 1994, 1996 and 2000 in the event other series of bonds are issued in the future, separate funds and accounts with similar names, but appropriate bond series designation, have been or will be established with respect to such series of bonds.

Creation of Funds and Accounts

The Indenture establishes the following funds and accounts for the Bonds.

1. Beaumont Financing Authority 2003A Local Agency Revenue Bonds Bond Fund (the “Bond Fund”) which will be held by the Trustee and in which the following accounts for the Bonds have been established by the Indenture for the deposit of Revenues when transferred to the Trustee by the District Trustee for the District Bonds.

(a) Interest Account. All amounts in the Interest Account are required to be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable. Any amounts on deposit in the Interest Account on any Interest Payment Date and not required to pay interest when due and payable on the Bonds are required to be transferred to the Residual Account.

(b) Principal Account. All amounts in the Principal Account are required to be used and withdrawn by the Trustee solely to pay the principal on the Bonds upon stated maturity or sinking payment date thereof. Any amounts on deposit in the Principal Account on any Interest Payment Date and not required to pay principal or sinking account payments when due and payable on the Bonds are required to be transferred to the Residual Account.

(c) Residual Account. Following the deposits to the Interest Account and Principal Account, moneys transferred by the Trustee from the Revenue Fund are required to be deposited by the Trustee into the Residual Account. Moneys deposited into the Residual Account are required to be transferred by the Trustee as discussed in “Application of Revenues” herein.

(d) Redemption Account. All amounts deposited in the Redemption Account are required to be used and withdrawn by the Trustee solely for the purposes of redeeming the Bonds in the manner and upon the terms and conditions specified in the Indenture at the next succeeding date of redemption for which notice has been given.

2. Beaumont Financing Authority 2003A Local Agency Revenue Bonds Reserve Fund (the “Reserve Fund”) which will be held by the Trustee. All money in the Reserve Fund is required to be used and withdrawn by the Trustee solely for the purposes of making transfers to the Interest Account, the Principal Account and the Redemption Account in such order of priority in the event of any deficiency at any time in any of such accounts, or for the retirement of all the Bonds then Outstanding, except that so long as the Authority is not in default under the Indenture, any amount in the Reserve Fund in excess of the Reserve Requirement is required to be withdrawn from the Reserve Fund semiannually, at least two (2) Business Days prior to each Interest Payment Date, and allocated to any Reserve Fund for any other Series of Bonds which is not at the Reserve Requirement applicable thereto on a pro rata basis and any amount remaining after the deposit shall be deposited in the Interest Account.

3. Beaumont Financing Authority 2003A Local Agency Revenue Bonds Revenue Fund (the “Revenue Fund”) which will be held by the Trustee. All Revenues are required to be deposited by the Trustee upon receipt thereof into the Revenue Fund. The Trustee is required to transfer and deposit revenues in the Expense Fund and the Bond Fund as provided in the Indenture.

4. Beaumont Financing Authority 2003A Local Agency Revenue Bonds Expense Fund (the “Expense Fund”) which will be held by the Trustee. The Trustee is required to transfer to the Expense Fund an amount estimated by the Authority to be required, together with any other available amounts in the Expense Fund, to pay Program Expenses, provided that such amount is required not to exceed the amount provided for in the then applicable Cash-Flow Certificate.

5. Beaumont Financing Authority 2003A Local Agency Revenue Bonds Program Fund (the “Program Fund”) which will be held by the Trustee. All money in the Program Fund is required to be used solely for the acquisition of the District Bonds pursuant to the Purchase Agreement.

Pledge and Assignment; Revenue Fund

(a) Subject only to the provisions of the Indenture, all of the Revenues with respect to the Bonds and any other amounts held in any fund or account established pursuant to the Indenture with respect to the Bonds are pledged by the Authority to secure the payment of the principal of and interest, and premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery of the Bonds by the Trustee, upon the physical delivery thereof.

(b) Subject to the provisions of the Indenture, the Authority assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the District Bonds. The Trustee shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall be paid by the Authority to the Trustee as provided in the Indenture. The Trustee also shall be entitled to and may take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under and with respect to the District Bonds.

Application of Revenues

On or prior to the fifth Business Day before each Interest Payment Date or redemption date, the Trustee is required to transfer all Revenues then in the Revenue Fund for deposit into the following funds and accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any deposit is made to any account subsequent in priority:

(a) The Trustee is required to deposit in the Interest Account an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund, is sufficient to cause the aggregate amount on deposit in the Interest Account to equal the amount then-required to make any interest payment coming due and payable on such Interest Payment Date.

(b) The Trustee is required to deposit in the Principal Account, if necessary, an amount which, together with the amounts then on deposit therein, including amounts, if any, transferred by the Trustee from the Reserve Fund, is sufficient to cause the aggregate amount on deposit in the Principal Account to equal the amount of principal or mandatory sinking payment coming due and payable on such Interest Payment Date on the Outstanding Bonds upon the stated maturity or sinking payment redemption thereof.

(c) The Trustee is required to deposit in the Reserve Fund an amount, if any, sufficient to restore the amount on deposit in the Reserve Fund to the Reserve Requirement.

(d) The Trustee is required to deposit all remaining amounts in the Residual Account to be applied as described below.

Following the deposits set forth above, moneys transferred by the Trustee from the Revenue Fund are required to be deposited by the Trustee into the Residual Account. Moneys deposited into the Residual Account are required to be transferred by the Trustee in the following order of priority:

(1) to make up any deficiency in the Funds and Accounts in the following order:

First: Interest Account;

Second: Principal Account; and

Third: Reserve Fund.

(2) On any Interest Payment Date, any Revenues collected by the Trustee which are in excess of amounts required to pay annual debt service and expenses are required to (i) first be applied by the Trustee to replenish any deficiency then existing in a reserve fund established with respect to any other Series of the Bonds, provided that the Authority is required to first obtain an opinion of Bond Counsel that any such replenishment will not adversely affect the exclusion from gross income for purposes of the federal tax laws of interest payable on any applicable Series of the Bonds, and (ii) then transferred by the Trustee to the District Trustee to be used to pay project costs or as otherwise provided in the District Indenture, provided that the amount of any such excess shall be established by a Cash Flow Certificate delivered to the Trustee, together with the Written Certificate of the Authority.

Investment of Moneys

Except as otherwise provided in the Indenture, all moneys in any of the funds or accounts established pursuant to the Indenture are required to be invested by the Trustee solely in Permitted Investments, and solely as directed in writing by the Authority two (2) Business Days prior to the making of such investment. Permitted Investments may be purchased at such prices as the Authority shall determine. All Permitted Investments are required to be acquired subject to any restrictions provided in the Indenture and such additional limitations or requirements consistent with the Indenture as may be established by the Written Request of the Authority. Moneys in all funds and accounts are required to be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Indenture. Absent timely written direction from the Authority, the Trustee is required to invest any funds held by it in Permitted Investments as described in (g) of the definition thereof (consisting of certain money market funds).

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the Authority, or as required for the purposes of the provisions of the Indenture, the Trustee is required to sell or present for redemption, any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to the Indenture.

Debt Service Reserve Fund Surety. The Authority may obtain a policy of insurance or surety bond issued by an insurance company, obligations insured by which have a rating by Moody's Investors Service and Standard & Poor's Ratings Group of "A" or better (without regard to plus (+) or minus (-) designations), or an irrevocable letter of credit, line of credit or similar arrangement issued by a Qualified Bank, to satisfy all or a portion of the Reserve Requirement. A Qualified Bank is a state or national bank

or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which has a capital and surplus of \$50,000,000 or more and which has a short term debt rating of the highest ranking or of the highest letter and numerical rating as provided by Moody's Investors Service or Standard & Poor's Ratings Services.

Additional Bonds

Under the Indenture, the Authority may issue from time to time, additional series of bonds upon delivery of a Supplemental Indenture providing for the issuance of such series of bonds and the delivery to the Trustee of (i) a Cash-Flow Certificate with respect to such series of the bonds and (ii) if any issue of Local Obligations to be acquired with the proceeds of such series of bonds does not otherwise meet the Minimum Credit Requirements, then with the approval of an Independent Financial Consultant with respect to acquisition of such issue of Local Obligations, the Authority may execute, and upon the Written Request of the Authority, the Trustee shall authenticate and deliver such Series of bonds. Except with respect to certain investment earnings on the Reserve Fund, these new bonds may not be secured on a parity with the Bonds.

Certain Covenants of the Authority

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

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

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

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

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

The Authority shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions relating to the Bond proceeds, the Revenues, the District Bonds and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Trustee and the District, during regular business hours and upon twenty-four (24) hours' notice and under reasonable circumstances as agreed to by the Authority.

No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

Private Business Use Limitation. The Authority shall assure that:

(a) not in excess of ten percent of the proceeds of the Bonds is used for Private Business Use if, in addition, the payment of the principal of, or the interest on, more than ten percent of the proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement) directly or indirectly, (i) secured by any interest in property, or payments in respect of property, used or to be used for a Private Business Use, or (ii) to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use; and

(b) in the event that in excess of five percent of the proceeds of the Bonds is used for a Private Business Use, and, in addition, the payment of the principal of, or the interest on, more than five percent of the proceeds of the Bonds is (under the terms of the Bonds or any underlying arrangement), directly or indirectly, secured by any interest in property, or payments in respect of property, used or to be used for said Private Business Use or is to be derived from payments (whether or not to the Authority) in respect of property, or borrowed money, used or to be used for a Private Business Use, then, (A) said excess over five percent of the proceeds of the Bonds which is used for a Private Business Use shall be used for a Private Business Use related to a government use of such proceeds and (B) each such Private Business Use over five percent of the proceeds of the Bonds which is related to a government use of such proceeds shall not exceed the amount of such proceeds which is used for the government use of proceeds to which such Private Business Use is related.

Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Collection of Revenues Under the District Bonds. The Authority shall cause to be collected and paid to the Trustee all Revenues payable with respect to the District Bonds promptly as such Revenues become due and payable, and shall vigorously enforce and cause to be enforced all rights of the Authority and the Trustee under and with respect to the District Bonds.

Events of Default

Events of Default. The following events shall be Events of Default under the Indenture:

- (a) if default shall be made in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise;
- (b) if default shall be made in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable;
- (c) if default shall be made by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall be continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding affected thereby, provided, however, that if in the reasonable opinion of the Authority provided to the Trustee in writing the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default under the Indenture if the Authority shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

Remedies Upon Event of Default.

The Bonds are not subject to acceleration if an Event of Default occurs with respect to the District Bonds.

(a) (i) If any Event of Default shall occur because of an event of default with respect to an issue of Local Obligations for which acceleration is a remedy (the District Bonds are not subject to acceleration), then, and in each and every such case during the continuance of such Event of Default and upon the occurrence of any Event of Default described in subsections (a) or (b), above, the Trustee may, or at the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as determined pursuant to the Indenture, the Trustee shall, upon notice in writing to the Authority, cause redemption of Bonds in accordance with the applicable provisions of the Indenture.

(ii) If any Event of Default shall occur because of an event of default with respect to an issue of Local Obligations (such as the District Bonds) for which acceleration is not a remedy, then, and in each and every such case during the continuance of such Event of Default and upon the occurrence of any Event of Default described in (a) and (b), above, the Trustee may, or at the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, as determined pursuant to the Indenture, the Trustee shall, upon notice in writing to the Authority, exercise any and all remedies available pursuant to law or granted with respect to such issue of Local Obligations.

(b) Any such declaration of an Event of Default is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the District shall deposit with the Trustee a sum sufficient to pay all the principal of, premium, if any, and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges, and expenses of the Trustee, including without limitation those of its counsel, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture, affected

thereby, by written notice to the Authority, the District and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds affected thereby, rescind and annul such declaration and its consequences and waive such default but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Other Remedies of Bond Owners. Subject to the provisions of the Indenture limiting a Bond Owner's right to sue, any Bond Owner shall have the right, for the equal benefit and protection of all Bond Owners similarly situated:

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

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

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

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee in the Bond Fund, and all Revenues and any other funds then held or thereafter received by the Authority or the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees and expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges, and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

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

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

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

Trustee to Represent Bond Owners. Pursuant to the Indenture, the Trustee is irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of

the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to the Owners under the provisions of the Bonds, the Indenture, the Bond Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, as determined pursuant to the Indenture, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture, the Bond Law or any other law and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture affected thereby, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Bond Law or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, as determined pursuant to the Indenture affected thereby, shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such requests; (d) the Trustee shall have refused or failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority, in aggregate principal amount, of the Series of Bonds then Outstanding affected thereby.

Such notification, request, tender of indemnity and refusal or omission are declared in the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Bond Law or other applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner therein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied duties or covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may, and upon written Request of the Local Agencies representing a majority in aggregate principal amount of the Local Obligations then outstanding shall, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and the Authority shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of all the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with paragraph (d) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and the Authority and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Authority and to the Bondowners at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing

(d) Any Trustee appointed under the Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000), and subject to supervision or examination by federal or State agency, so long as any Bonds are Outstanding. If such corporation publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this paragraph (d), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph, the Trustee shall resign immediately in the manner and with the effect specified above.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under paragraph (d) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Liability of Trustee.

(a) The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds, or any Local Obligation or in respect of the security afforded by the Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Authority or others in accordance with the Indenture except as the application of any moneys paid to it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Indenture, except for its own negligence or willful misconduct.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers, if it is not assured to its satisfaction that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(f) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee under the Indenture shall be construed to impose a duty to exercise such power, right or remedy.

Modification or Amendment of the Indenture or the District Bonds

(a) The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all Series of Bonds then Outstanding affected thereby, as determined pursuant to the Indenture, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondowners to approve the particular form of any supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any supplemental indenture, the Trustee shall cause to be mailed a notice (the form of which shall be furnished to the Trustee by the Authority), by first class mail postage prepaid, setting forth in general

terms the substance of such supplemental indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

(b) The Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by an indenture or indenture supplemental thereto, which the Authority and the Trustee may enter into without the consent of any Bondowners for any one or more of the following purposes:

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

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

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

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income for purposes of federal income taxation by the United States of America under the Code;

(v) to modify any of the requirements of the Indenture with respect to the terms and provisions of any issue of Local Obligations, provided that any such modification shall apply only to a series of the bonds issued and delivered subsequent to the execution and delivery of the applicable supplemental indenture;

(vi) to modify or amend any provision of the Indenture with any effect and to any extent whatsoever permissible by law, provided that any such modification or amendment shall apply only to a series of bonds issued and delivered subsequent to the execution and delivery of the applicable supplemental indenture; and

(vii) to issue from time to time series of the bonds.

Endorsement of Bonds: Preparation of New Bonds. Bonds delivered after the execution of any supplemental indenture may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such supplemental indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the trust office of the Trustee a suitable notation shall be made on such Bonds. If the supplemental indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such supplemental indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged (without cost to any Bondowners) for any Bonds then Outstanding, upon surrender of such Bonds for cancellation at the Trust Office.

Amendment of Particular Bonds. The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

Amendment of the District Bonds. Nothing in the Indenture shall prohibit the Authority from consenting to the amendment, supplement or other modification of the District Bonds, or the proceedings providing for the issuance thereof provided that the Authority shall first deliver to the Trustee a Written Certificate describing such amendment, supplement or other modification, together with (i) a certificate of an Independent Financial Consultant stating that such amendment, supplement or other modification will not adversely impact the Authority's ability to pay principal and interest of the Bonds and (ii) an opinion of Authority Bond Counsel that such amendment, supplement or other modification will not impair the exclusion from gross income of interest on the Bonds for purposes of federal income taxation by the United States of America. The Trustee shall take such actions as shall be directed by the Authority in implementation of such amendment, supplement or other modification, including, without limitation, the acceptance by the Trustee of revised District Bonds in exchange for the amended, supplemented or otherwise modified District Bonds.

Defeasance

Discharge of Indenture. The Bonds, or any portion thereof, may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture by the Authority:

- (a) by paying or causing to be paid the principal of and interest and premium, if any on the Bonds, or any portion thereof as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee, in trust (pursuant to an escrow agreement), at or before maturity, money or Federal Securities in the amount and in the manner required by the Indenture necessary to pay or redeem all, or any portion thereof, of the Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all, or any portion thereof, of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority including without limitation any compensation due and owing the Trustee under the Indenture, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, and upon receipt of a Written Certificate of an Authorized Representative of the Authority and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent therein provided for relating to the discharge and satisfaction of the obligations of the Authority have been satisfied, the Trustee shall cause an accounting for such period or periods as may be requested by the Authority to be prepared and filed with the Authority and shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the Authority.

Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so

held at such date or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the cost of the Authority, mail, by first class mail, postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

THE DISTRICT INDENTURE

The following is a brief summary of the provisions of the District Indenture relating to the District Bonds and does not purport to be a complete restatement thereof. Such summary is not intended to be definitive, and reference is made to the complete District Indenture for the complete terms thereof, copies of which are available upon request sent to the Authority upon payment of a charge for copying, handling, and mailing.

Establishment of Funds and Accounts; Flow of Funds

Costs of Issuance Fund. A portion of the proceeds of each Series of the District Bonds will be deposited by the Trustee in the Costs of Issuance Fund on the Closing Date. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the District Bonds and other related financing costs from time to time upon receipt of written requests of the District. Six months after issuance of the District Bonds, or upon the earlier request of the District, all amounts remaining in the Costs of Issuance Fund are required to be transferred by the District Trustee to the Construction Fund.

Construction Fund. A portion of the proceeds of the District Bonds will be deposited by the District Trustee in the Construction Fund on the Closing Date. The District Trustee will disburse moneys in the Construction Fund on the Closing Date to pay Project Costs (or to reimburse the District for payment of Project Costs) of the Project upon receipt by the District Trustee of requisitions of the District. Upon the filing with the District Trustee of a certificate of the District stating that the Project has been completed, the District Trustee is required to withdraw all amounts then on deposit in the Construction Fund and transfer such amounts to the applicable Accounts in the Bond Fund.

Bond Fund: Deposit and Transfer of Amounts Therein. At such time as the County Auditor-Controller of the County of Riverside makes an apportionment of tax revenues, including Special Taxes of any Improvement Area and other amounts constituting Gross Taxes, if any, and such apportionment is transferred to the District Trustee on behalf of the District (any such apportionment being hereinafter referred to as "Apportionment"), the District Trustee shall deposit such Apportionment and any other amounts constituting Gross Taxes in the applicable Special Tax Fund for such Improvement Area, to be held in trust by the District Trustee and transferred and deposited into the following respective Accounts and Funds (each of which accounts the District Trustee shall establish and maintain within the District Bond Fund) the following amounts in the following order of priority, the requirements of each such Account (including the making up of any deficiencies in any such Account resulting from lack of Special Taxes for the applicable Improvement Area sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any Account subsequent in priority:

(a) **Administrative Expense Fund.** The District Trustee will deposit in the applicable Administrative Expense Fund the amount of Administrative Expenses required to be deposited therein pursuant to the District Indenture. The District Trustee shall apply the moneys on deposit in the Administrative Expense Fund to the payment of Administrative Expenses, as directed by the District.

(b) **Interest Account.** On February 15 and August 15 preceding each Interest Payment Date, the District Trustee will deposit in the applicable Interest Account an amount required to cause the aggregate amount on deposit in such Account to equal the amount of interest becoming due and payable on the March 1 and September 1 Interest Payment Dates on all Outstanding District Bonds of the applicable Series. All moneys in such Interest Account will be used and withdrawn by the District Trustee solely for the purpose of paying the interest on the applicable Series of District Bonds as it becomes due and payable (including accrued interest on any District Bonds of the applicable Series redeemed prior to maturity).

(c) **Principal Account.** On August 15 of each year the District Trustee will deposit in the applicable Principal Account an amount required to cause the aggregate amount on deposit in such Account to equal the principal amount of the District Bonds with respect to the applicable Improvement Area coming due and payable on the following Interest Payment Date. All moneys in such Principal Account will be used and withdrawn by the District Trustee solely for the purpose of paying the principal of the applicable Series of District Bonds at their respective maturity dates.

(d) **Sinking Account.** On August 15 of each year the District Trustee will deposit in the applicable Sinking Account an amount equal to the aggregate principal amount of Term District Bonds relating to the applicable Improvement Area required to be redeemed on the following Interest Payment Date, if any. Amounts on deposit in such Sinking Account are required to be used and withdrawn by the District Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term District Bonds with respect to the applicable Improvement Area in accordance with the mandatory sinking account redemption thereof.

(e) **Reserve Account.** There is no Reserve Account established with respect to the District Bonds.

Improvement Area Escrow Funds. For a description of the Escrow Fund, see “**SOURCES OF PAYMENT FOR THE BONDS – Repayment of the Bonds – Improvement Area Escrow Funds**” herein.

Redemption Fund. The District Trustee is required to establish and maintain in the Redemption Fund, amounts which will be used and withdrawn by the District Trustee solely for the purpose of paying the principal of the applicable Series of District Bonds to be redeemed (other than Term District Bonds to be redeemed from Sinking Account deposits). At any time prior to giving notice of redemption of any such District Bonds, the District Trustee may apply such amounts to the purchase of the applicable Series of District Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a request of the District, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such Series of District Bonds.

Investment of Funds

All moneys in any of the funds or accounts held by the District Trustee under the District Indenture will be invested by the District Trustee solely in Permitted Investments as directed by the District in advance of the making of such investments. In the absence of any such direction of the District, the District Trustee will invest any such moneys in Permitted Investments described in clause (g) of the definition thereof (consisting of certain commercial paper or money market funds). Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

Prior to completion of the Project, all interest or gain derived from the investment amounts in any of the funds or accounts established under the District Indenture shall be deposited in the Construction Fund and allocated by the District to the respective Improvement Areas relating thereto. Following the Completion Date, all interest or gain derived from the investment of amounts in any of the funds or accounts shall be deposited in the applicable Special Tax Fund from time to time on or before each Installment Payment Date. For purposes of acquiring any investments under the District Indenture, the District Trustee may commingle funds held by it thereunder. The District Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor.

Covenants of the District

Punctual Payment. The District covenants that it will receive all Gross Taxes in trust and will, consistent with the District Indenture deposit the Gross Taxes with the District Trustee in trust and the District shall have no beneficial right or interest in the amounts so deposited except as provided by the District Indenture. All such Gross Taxes, whether received by the District in trust or deposited with the District

Trustee in trust, all as provided in the District Indenture shall nevertheless be disbursed, allocated and applied solely to the uses and purposes therein set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

The District covenants that it will duly and punctually pay or cause to be paid the principal of and interest on every District Bond issued under the District Indenture, together with the premium, if any, thereon on the date, at the place and in the manner set forth in the District Bonds and in accordance with the District Indenture to the extent Net Taxes of the applicable Improvement Area and interest earnings transferred to the applicable Special Tax Fund are available therefor, and that the payments into the applicable Accounts in the Special Tax Fund, District Bond Fund, Redemption Fund and Administrative Expense Fund will be made, all in strict conformity with the terms of the District Bonds of each Series and the District Indenture, and that it will faithfully observe and perform all of the conditions covenants and requirements of the District Indenture.

The District will not mortgage or otherwise encumber, pledge or place any charge upon any of the Gross Taxes of any Improvement Area and will not issue any obligation or security superior to or on a parity with the District Bonds of any Series payable in whole or in part from the Net Taxes of the applicable Improvement Area except as provided in and in accordance with the District Indenture.

Levy of Special Tax. The City Council, on behalf of the District, shall levy the Special Tax in each Improvement Area in an amount sufficient to pay the principal of and interest on the applicable Series of the District Bonds as provided in the proceedings and the Administrative Expenses relating to such Improvement Area due or coming due, so long as any District Bonds relating to the particular Improvement Area are Outstanding; provided that the amount of the Special Tax shall not exceed the maximum amounts specified in the applicable Rate and Method of Apportionment of Special Tax.

Payment of Claims. To the extent moneys are available therefor in the Construction Fund, the District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon any portion of the Project owned by the District or upon the Gross Taxes or any part thereof, or upon any funds in the hands of the District Trustee or which might impair the security of the District Bonds; provided that nothing contained in the District Indenture shall require the District to make any such payments so long as the District in good faith shall contest the validity of any such claims.

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

Against Encumbrances. The District shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Special Taxes of any Improvement Area and other assets pledged or assigned under the District Indenture while any of the District Bonds of the applicable Series are Outstanding, except the pledge and assignment created by the District Indenture. Subject to this limitation, the District expressly reserves the right to enter into one or more other District indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue District Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the District Bonds of each Series and to enter into the District Indenture and to pledge and assign the Special Taxes of the applicable Improvement Area and other assets purported to be

pledged and assigned, respectively, under the District Indenture in the manner and to the extent provided in the District Indenture. The District Bonds of each Series and the provisions of the District Indenture are and will be legal, valid and binding special obligations of the District in accordance with their terms, and the District and the District Trustee shall at all times, subject to the provisions of the District Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Special Taxes with respect to each Improvement Area and other assets and all the rights of the District Bondowners under the District Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The District Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of District Bonds, the Special Taxes received by the District Trustee, and all funds and accounts established pursuant to the District Indenture and the District shall keep proper books of record of the levy of the Special Taxes and of the assessed value of parcels of land within the boundaries of the District. Such books of records and account of the District Trustee will be available for inspection by the District and the City, during business hours and under reasonable circumstances.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the District Trustee or otherwise, any action with respect to the proceeds of the District Bonds of any Series which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the District Bonds of a Series would have caused such District Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

Private Activity Bond Limitation. The District shall assure that the proceeds of the District Bonds of each Series are not so used as to cause such District Bonds to satisfy the private business tests of Section 141(b) of the Code.

Private Loan Financing Limitation. The District shall assure that the proceeds of the District Bonds are not so used as to cause the District Bonds to satisfy the private loan financing test of Section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the District Bonds of any Series to be “federally guaranteed” within the meaning of section 149(b) of the Code.

Maintenance of Tax Exemption. The District shall take any and all actions necessary to assure the exclusion of interest on the District Bonds of each Series from the gross income of the Owners of such District Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of such District Bonds.

Commence Foreclosure Proceedings. The District covenants that it will determine or cause to be determined whether or not any owners of property within the applicable Improvement Areas of the District are delinquent in the payment of Special Taxes and, if such delinquencies exist to order and cause to be commenced an action in the superior court to foreclose the lien of any Special Taxes or installment thereof not paid when due, subject to the limitations contained in the District Indenture. See, “**SOURCES OF PAYMENT FOR THE BONDS - Repayment of the District Bonds - Covenant for Superior Court Foreclosure**” above.

Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the District Indenture or in the District Bonds of any Series, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Further Assurances. The District will make, execute and deliver any and all such further District Indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the District Indenture and for the better assuring and confirming unto the Owners of the District Bonds of each Series of the rights and benefits provided in the District Indenture.

Modification of Maximum Authorized Special Tax. The District covenants that no modification of the maximum authorized Special Tax for any Improvement Area shall be approved by the District which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Maximum Special Tax revenues in each Fiscal Year at least equal to 110% of annual debt service in such Fiscal Year for the Series of District Bonds relating to such Improvement Area.

Amendment of District Indenture

The District Indenture may be modified or amended from time to time and at any time by a supplemental District Indenture with the written consent of the Owners of a majority in aggregate principal amount of the District Bonds of the applicable Series then Outstanding. No such modification or amendment may (a) extend the maturity of or reduce the amount of principal or change the method of computing the rate of interest or extend the time of payment of the interest on any District Bond, without the written consent of the Owner of such District Bond, (b) reduce the percentage of District Bonds of any Series required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The District Indenture may also be modified or amended at any time by a supplemental indenture, without the consent of any Bondowners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the District contained in the District Indenture, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the District Bonds of any Series (or any portion thereof), or to surrender any right or power reserved to or conferred upon the District;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the District Indenture, or in any respect whatsoever, as the District may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the District Bondowners;

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

(d) to modify, amend or supplement the District Indenture in such manner as to cause interest on the District Bonds to remain excludable from gross income under the Tax Code; or

(e) to facilitate the issuance of Parity District Bonds by the District.

Events of Default

Events of Default Defined. The following events constitute events of default under the District Indenture:

(a) Default in the due and punctual payment of the principal of any District Bonds of any Series when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption by acceleration (the District Bonds are not subject to acceleration), or otherwise;

(b) Default in the due and punctual payment of any installment of interest on any District Bonds when and as the same shall become due and payable; or

(c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in the District Indenture or in the District Bonds contained, if such default has continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the District by the District Trustee; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an event of default under the District Indenture if the District commences to cure such default within such sixty (60) day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

Remedies. The District Trustee is irrevocably appointed (and the successive respective Owners of the District Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the District Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the District Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the District Bonds, the District Indenture and applicable provisions of any law. Upon the occurrence and continuance of an occasion giving rise to a right in the District Trustee to represent the District Bondowners, the District Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the District Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the District Trustee shall, proceed to protect and enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceeding as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the District Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the District Trustee or in such Owners under the District Bonds, the District Indenture or any other law and upon instituting such proceeding, the District Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Special Taxes and other assets pledged under the District Indenture, pending such proceedings. All rights of action under the District Indenture or the District Bonds or otherwise may be prosecuted and enforced by the District Trustee without the possession of any of the District Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the District Trustee shall be brought in the name of the District Trustee for the benefit and protection of all the Owners of such District Bonds, subject to the provisions of the District Indenture.

Limitation on Bondowners' Right to Sue. No Owner of any District Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the District Indenture, unless (a) such Owner has previously given to the District Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the District Bonds of the applicable Series then Outstanding have requested the District Trustee in writing to exercise its powers under the District Indenture; (c) said Owners have tendered to the District Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the District Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request has been received by the District Trustee and said tender of indemnity is made to the

District Trustee; and (e) no direction inconsistent with such written request has been given to the District Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the District Bonds of the applicable Series then Outstanding.

Remedies of Bondowners. The District Bonds do not contain a provision allowing for the acceleration of the District Bonds in the event of a payment default or other default under the terms of the District Bonds or the District Indenture.

Duties, Immunities and Liabilities of District Trustee; Merger or Consolidation; Liability of District Trustee

The duties, immunities and liabilities of the District Trustee with respect to each Series of the District Bonds are substantially the same as those which apply to the Trustee with respect to the Bonds. In addition, the requirements relating to merger or consolidation of the District Trustee and the authority of the District to replace the District Trustee and the liabilities of the District Trustee are substantially the same as those which apply to the Trustee. For a description of these rights as they apply to the Trustee, see “SUMMARY OF THE LEGAL DOCUMENTS - The Indenture - The Trustee.”

Discharge of the District Indenture

The District may pay and discharge the indebtedness on any or all of the Outstanding District Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on the District Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the District Trustee, in trust, at or before maturity, cash and/or non-callable federal securities which, together with the investment earnings to be received thereon, have been verified by an independent accountant to be sufficient to pay or redeem such District Bonds when and as the same become due and payable; or
- (c) by delivering such District Bonds to the District Trustee for cancellation.

Upon such payment, and notwithstanding that any District Bonds have not been surrendered for payment, the pledge of the Special Taxes of the applicable Improvement Area and other assets and other funds provided for in the District Indenture with respect to such District Bonds, and all other obligations of the District under the District Indenture with respect to such District Bonds, shall cease and terminate, except only the obligation of the District to pay or cause to be paid to the Owners of such District Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. Any funds thereafter held by the District Trustee, which are not required for said purposes, shall be paid over to the District.

FINANCIAL INFORMATION

Authority Accounting Records and Financial Statements

The Authority. The Authority, as required by the California Government Code, conducts an annual audit. The minimum requirements of the audit are required to be those prescribed by the State Controller for special districts and are required to conform to generally accepted auditing standards.

The Indenture requires the Trustee to keep, or cause to be kept, proper books prepared in accordance with industry standards, with complete and accurate entries of all transactions relating to the proceeds of the Bonds, the Revenues and all funds and accounts established with the Trustee pursuant to the Indenture.

The District. The financial transactions of the District are included in the City's annual audit pursuant to the requirements prescribed by the State Controller for special districts.

Pursuant to the District Indenture, the District Trustee is required to keep proper books of record and accounts in which complete and correct entries are required to be made of all transactions relating to the proceeds of the District Bonds, the Special Taxes received by the District Trustee, all funds and accounts established pursuant to the District Indenture, including the Construction Fund, the Costs of Issuance Fund, the Administrative Expense Fund and the Bond Fund. The District is required to keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the expenditure of amounts disbursed from the Special Tax Fund.

Budgetary Process and Administration

The Authority. The Indenture delineates a system that requires the Authority to actively manage Bonds issued under the Indenture as part of the Authority's overall program for financing public capital improvements.

It is expected that the Authority will incur expenses for Trustee Fees, the annual audit, calculation of arbitrage rebate and preparation of Cash Flow Certificates. The amount retained in the Expense Fund cannot exceed the amount provided for in the then applicable Cash Flow Certificate.

The Authority is required to instruct the Trustee regarding the disposition of moneys deposited in the Residual Account in accordance with the Indenture. Each such instruction is required to be accompanied by a Cash Flow Certificate prepared by an Independent Financial Consultant.

The District. The District is required each Fiscal Year to determine the amount of Special Taxes needed to pay debt service on each series of District Bonds issued by the District and Administrative Expenses of the District. The District is expected to incur Administrative Expenses for the levy and collection of the Special Taxes, foreclosure proceedings, District Trustee fees and arbitrage rebate calculations.

The District is required to communicate with the County Auditor to ascertain the relevant parcels on which the Special Taxes are to be levied, taking into account any parcel splits during the preceding and then current Fiscal Year. The District is required by resolution to provide for the levy of the Special Taxes within the District in the current Fiscal Year. A certified list of all parcels subject to the Special Tax, including the amount of the Special Tax to be levied on each such parcel, is filed by the District with the County Auditor on or before the tenth (10th) day of August of that tax year. The Special Taxes so levied may not exceed the authorized amounts as provided in the Rate and Method of Apportionment of Special Tax relating to the applicable Improvement Area (see "**Rate and Method of Apportionment of Special Tax**" below).

The Special Taxes are payable and are collected in the same manner and at the same time and in the same installment as the general taxes on real property are payable and have the same priority, become delinquent at the same times and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property.

Special Taxes are due in two equal installments. Special Taxes levied become delinquent if not paid by the following December 10th and April 10th. Currently a 10% penalty is added to delinquent taxes.

When received, the Special Taxes from each Improvement Area are required to be deposited in a separate Special Tax Fund for the District to be held by the City and transferred by the City to the District Trustee as provided in the District Indenture for the District.

As of the delivery date of the Bonds, the District has retained General Government Management Services to assist in the preparation of the Special Tax roll and the determination of the amount of Special Taxes required in each Fiscal Year.

Rate and Method of Apportionment of Special Tax

The City, acting on behalf of the District, levies the Special Taxes in accordance with the Rates and Methods of Apportionment of Special Tax for each Improvement Area (see “**APPENDICES E, F, G AND H - RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**” herein). Because the Special Taxes have been authorized by a two-thirds (2/3) vote of the qualified electorate of each Improvement Area, the Special Taxes are a special tax imposed within the limitations of Section 4 of Article XIII A of the State Constitution. The City Council, as the legislative body of the District, has the power and is obligated, pursuant to the covenants contained in the District Indenture, to cause the levy and collection of the Special Taxes annually.

The Rates and Methods of Apportionment of Special Tax may be modified pursuant to the provisions of the Mello-Roos Act provided that the District determines that such modification will not impair the timely payment of the District Bonds.

The District has covenanted that no modification of the maximum authorized Special Tax for any Improvement Area shall be approved which would prohibit the District from levying the Special Tax in any Fiscal Year at such a rate as could generate Maximum Special Tax Revenues in each Fiscal Year at least equal to 110% of annual debt service in such Fiscal Year for the series of bonds relating to such Improvement Area.

When a community facilities district is formed, a special tax may be levied on each parcel of taxable property within such district to pay for the construction or acquisition of public facilities, to pay for authorized services or to repay bonded indebtedness or other related expenses incurred by the community facilities district. This special tax must be apportioned in a reasonable manner; however, the tax may not be apportioned on an ad valorem basis.

When more than one type of land use is present within an Improvement Area, several criteria may be considered when apportioning the special tax. Generally, criteria based on building square footage, lot size, density and/or land use are selected, and categories based on such criteria are established to differentiate between parcels of property. These categories are a direct result of the developer's product mix, and are reflective of the proposed land use types within that Improvement Area. Specific special tax levels are assigned to each land use class, with all parcels within a land use class paying the same special tax.

The Act does not require that special taxes be apportioned to individual parcels based on benefit received. However, in order to ensure fairness and equity, benefit principles have been incorporated in establishing the special tax rates for each Improvement Area.

Special taxes for each Improvement Area are based on that area's allocation of the public facilities proposed to be financed. The establishment of Improvement Areas minimized cross-collateralization of bonded indebtedness among development projects and ensures that the special taxes for each given Improvement Area will only be levied to meet the such Improvement Area financial obligations.

The major assumption inherent in the special tax rates set forth in the Rate and Method of Apportionment for each Improvement Area is that the level of benefit received from the proposed public facilities is a function of land use and/or product type. Generally non-residential development will benefit more than residential development when the comparison is made on an equivalent dwelling unit basis. However, the special tax rates for non-residential development have been limited where necessary to comply with the City's policies regarding value to lien ratios and maximum property tax rates (i.e., the percentage that total property taxes represent when compared to improved property values).

Based on the types of public facilities that are proposed for each Improvement Area and the factors described above, the special taxes assigned to specific land uses are generally proportionate to the relative benefits received by them.

**TABLE NO. 8
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NOS. 9, 10A, 12A AND 14A
SUMMARY OF RATES AND FACTORS**

IA	Model	Lots	Developed							Gross Undeveloped Taxable Property						
			Developed		ROF Total Tax	Total Funds Generated	Total Adjusted Debt Service	Coverage High Low		Undeveloped		Gross Acres	Total Funds Generated	Total Adjusted Debt Service	Coverage High Low	
			ROI	ROF Rates						ROI Rates	ROF Rates					
9	Total	69	\$ 703	\$ 703	1.8%	\$ 2,138,750	\$ 1,556,777	189.9%	110.6%	\$ 5,000	\$ 5,000	14.00	\$ 2,966,561	\$ 1,556,777	263.3%	153.4%
10a	Total	147	\$ 1,350	\$ 1,100	1.9%	\$ 6,852,756	\$ 5,664,387	253.4%	110.1%	\$ 5,000	\$ 7,500	40.11	\$ 12,748,795	\$ 5,664,387	471.4%	204.8%
12a	< 2,000 s.f. bld	70	\$ 1,200	\$ 1,000	2.0%											
	> = 2,000 s.f. bld	<u>38</u>	\$ 1,400	\$ 1,100	1.8%											
	Total	<u>108</u>				\$ 4,738,021	\$ 3,306,388	293.1%	110.5%	\$ 6,000	\$ 7,500	30.00	\$ 9,535,374	\$ 3,306,388	589.9%	222.3%
14a	Detached 5k s.f.	763	\$ 1,150	\$ 1,600	2.0%											
	4k s.f.	433	\$ 1,150	\$ 1,300	2.0%											
	Attached	<u>181</u>	\$ 1,050	\$ 1,050	2.0%											
	Total	<u>1377</u>				\$ 59,855,916	\$ 48,800,590	267.0%	119.7%	\$ 5,000	\$ 11,000	256.88	\$ 87,596,080	\$ 48,800,590	390.8%	175.1%

Source: General Government Management Services.

**TABLE NO. 9
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 9 FACTORS**

Factors	IA		9	10A
	Lot Size	DU sf	1,350	1,550
7.00% Interest				
30 Term				
2.0% Escalator -YES				
10.0% Coverage				
\$ - Annual Admin				
24 Capitalized Interest (months)				
216 SF Dwelling Units	216	69	147	
\$ 164,736 Average House Price	\$ 164,736	\$ 145,000	\$ 174,000	
54.11 Acreage Gross	54.11	14	40.11	
40.58 Acreage Net	14 29.75	9.80	22.05	
1.20576% Existing Ad Valorem				
Need:				
\$ 2,610,000 New Funding	\$ 2,610,000	\$ 350,000	\$ 2,260,000	
\$ 250,356 Currently Funded	\$ 250,356	\$ 250,356	\$ -	
\$ 2,860,356 To be Funded	\$ 2,860,356	\$ 600,356	\$ 2,260,000	
Debt Service				
\$ 13,242 Value per DU	\$ 13,242	\$ 8,701	\$ 15,374	
Per DU:				
\$875.86 Annual Debt Service	\$876	\$633	\$990	
\$87.59 Annual Coverage	\$ 88	\$63	\$99	
\$0.00 Annual Admin.	\$ -	\$0	\$0	
\$963.45 Annual Levy per DU	\$ 963	\$696	\$1,089	
0.58% CFD Facilities Tax Percentage	0.58%	0.48%	0.63%	
1.88% Total Tax Percentage	1.88%	1.78%	1.91%	
\$ 5,381 Undeveloped	\$ 5,381	\$ 5,885	\$ 5,145	
Total Annual Levy				
\$230,506 Maximum Annual Debt Service	\$ 261,131	\$56,737	\$204,394	
\$18,919 Annual Coverage	\$ 18,919	\$13,666	\$21,384	
\$0 Annual Admin.	\$0	\$0	\$0	
\$249,424 Annual Levy - All DU	\$280,049	\$70,403	\$225,778	

Source: General Government Management Services.

**TABLE NO. 10
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 9
DEBT SERVICE**

Period Ending 1-Sep	Class DU Rate	Developed Revenue					Gross Undeveloped Revenue				
		All Lots	69	Total	high	189.9%	Class Undev.	Total	high	263.3%	Acres
		69	Total	Adjusted	low	110.6%		Adjusted	low	153.3%	
		\$	Revenue	Debt	Unused	DS		Debt	Unused	DS	
				Service	Revenues	Coverage	Rate	Service	Revenues	Coverage	
2003		\$ 50,467	\$ 50,467	\$ 31,922	\$ 18,545	158.1%	\$ 70,000	\$ 31,922	\$ 31,922	219.3%	
2004		\$ 51,476	\$ 51,476	\$ 46,563	\$ 4,913	110.6%	\$ 71,400	\$ 46,563	\$ 24,837	153.3%	
2005		\$ 52,506	\$ 52,506	\$ 46,963	\$ 5,543	111.8%	\$ 72,828	\$ 46,963	\$ 25,865	155.1%	
2006		\$ 53,556	\$ 53,556	\$ 47,363	\$ 6,193	113.1%	\$ 74,285	\$ 47,363	\$ 26,922	156.8%	
2007		\$ 54,627	\$ 54,627	\$ 47,963	\$ 6,664	113.9%	\$ 75,770	\$ 47,963	\$ 27,807	158.0%	
2008		\$ 55,719	\$ 55,719	\$ 48,263	\$ 7,456	115.4%	\$ 77,286	\$ 48,263	\$ 29,023	160.1%	
2009		\$ 56,834	\$ 56,834	\$ 48,863	\$ 7,971	116.3%	\$ 78,831	\$ 48,863	\$ 29,968	161.3%	
2010		\$ 57,970	\$ 57,970	\$ 49,463	\$ 8,507	117.2%	\$ 80,408	\$ 49,463	\$ 30,945	162.6%	
2011		\$ 59,130	\$ 59,130	\$ 49,763	\$ 9,367	118.8%	\$ 82,016	\$ 49,763	\$ 32,253	164.8%	
2012		\$ 60,312	\$ 60,312	\$ 50,463	\$ 9,849	119.5%	\$ 83,656	\$ 50,463	\$ 33,193	165.8%	
2013		\$ 61,519	\$ 61,519	\$ 50,763	\$ 10,756	121.2%	\$ 85,330	\$ 50,763	\$ 34,567	168.1%	
2014		\$ 62,749	\$ 62,749	\$ 51,463	\$ 11,286	121.9%	\$ 87,036	\$ 51,463	\$ 35,573	169.1%	
2015		\$ 64,004	\$ 64,004	\$ 52,063	\$ 11,941	122.9%	\$ 88,777	\$ 52,063	\$ 36,714	170.5%	
2016		\$ 65,284	\$ 65,284	\$ 52,463	\$ 12,821	124.4%	\$ 90,552	\$ 52,463	\$ 38,089	172.6%	
2017		\$ 66,590	\$ 66,590	\$ 53,063	\$ 13,527	125.5%	\$ 92,364	\$ 53,063	\$ 39,301	174.1%	
2018		\$ 67,922	\$ 67,922	\$ 53,663	\$ 14,259	126.6%	\$ 94,211	\$ 53,663	\$ 40,548	175.6%	
2019		\$ 69,280	\$ 69,280	\$ 54,363	\$ 14,917	127.4%	\$ 96,095	\$ 54,363	\$ 41,732	176.8%	
2020		\$ 70,666	\$ 70,666	\$ 54,863	\$ 15,803	128.8%	\$ 98,017	\$ 54,863	\$ 43,154	178.7%	
2021		\$ 72,079	\$ 72,079	\$ 55,363	\$ 16,716	130.2%	\$ 99,977	\$ 55,363	\$ 44,614	180.6%	
2022		\$ 73,520	\$ 73,520	\$ 55,963	\$ 17,557	131.4%	\$ 101,977	\$ 55,963	\$ 46,014	182.2%	
2023		\$ 74,991	\$ 74,991	\$ 56,763	\$ 18,228	132.1%	\$ 104,016	\$ 56,763	\$ 47,253	183.2%	
2024		\$ 76,491	\$ 76,491	\$ 49,363	\$ 27,128	155.0%	\$ 106,097	\$ 49,363	\$ 56,734	214.9%	
2025		\$ 78,020	\$ 78,020	\$ 47,644	\$ 30,376	163.8%	\$ 108,219	\$ 47,644	\$ 60,575	227.1%	
2026		\$ 79,581	\$ 79,581	\$ 50,925	\$ 28,656	156.3%	\$ 110,383	\$ 50,925	\$ 59,458	216.8%	
2027		\$ 81,172	\$ 81,172	\$ 48,863	\$ 32,309	166.1%	\$ 112,591	\$ 48,863	\$ 63,728	230.4%	
2028		\$ 82,796	\$ 82,796	\$ 51,800	\$ 30,996	159.8%	\$ 114,842	\$ 51,800	\$ 63,042	221.7%	
2029		\$ 84,452	\$ 84,452	\$ 49,350	\$ 35,102	171.1%	\$ 117,139	\$ 49,350	\$ 67,789	237.4%	
2030		\$ 86,141	\$ 86,141	\$ 51,900	\$ 34,241	166.0%	\$ 119,482	\$ 51,900	\$ 67,582	230.2%	
2031		\$ 87,864	\$ 87,864	\$ 49,100	\$ 38,764	178.9%	\$ 121,872	\$ 49,100	\$ 72,772	248.2%	
2032		\$ 89,621	\$ 89,621	\$ 51,300	\$ 38,321	174.7%	\$ 124,309	\$ 51,300	\$ 73,009	242.3%	
2033		\$ 91,413	\$ 91,413	\$ 48,150	\$ 43,263	189.9%	\$ 126,795	\$ 48,150	\$ 78,645	263.3%	
			\$ 2,138,750	\$ 1,556,777			\$ 2,966,561	\$ 1,556,777			

Source: General Government Management Services.

**TABLE NO. 11
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 10A FACTORS**

Factors	IA		9	10A
	Lot Size	DU sf	1,350	1,550
7.00% Interest				
30 Term				
2.0% Escalator -YES				
10.0% Coverage				
\$ - Annual Admin				
24 Capitalized Interest (months)				
216 SF Dwelling Units	216	69	147	
\$ 164,736 Average House Price	\$ 164,736	\$ 145,000	\$ 174,000	
54.11 Acreage Gross	54.11	14	40.11	
40.58 Acreage Net	14 29.75	9.80	22.05	
1.20576% Existing Ad Valorem				
Need:				
\$ 2,610,000 New Funding	\$ 2,610,000	\$ 350,000	\$ 2,260,000	
\$ 250,356 Currently Funded	\$ 250,356	\$ 250,356	\$ -	
<u>\$ 2,860,356 To be Funded</u>	<u>\$ 2,860,356</u>	<u>\$ 600,356</u>	<u>\$ 2,260,000</u>	
Debt Service				
\$ 13,242 Value per DU	\$ 13,242	\$ 8,701	\$ 15,374	
Per DU:				
\$875.86 Annual Debt Service	\$876	\$633	\$990	
\$87.59 Annual Coverage	\$ 88	\$63	\$99	
<u>\$0.00 Annual Admin.</u>	<u>\$ -</u>	<u>\$0</u>	<u>\$0</u>	
<u>\$963.45 Annual Levy per DU</u>	<u>\$ 963</u>	<u>\$696</u>	<u>\$1,089</u>	
0.58% CFD Facilities Tax Percentage	0.58%	0.48%	0.63%	
<u>1.88% Total Tax Percentage</u>	<u>1.88%</u>	<u>1.78%</u>	<u>1.91%</u>	
<u>\$ 5,381 Undeveloped</u>	<u>\$ 5,381</u>	<u>\$ 5,885</u>	<u>\$ 5,145</u>	
Total Annual Levy				
\$230,506 Maximum Annual Debt Service	\$ 261,131	\$56,737	\$204,394	
\$18,919 Annual Coverage	\$ 18,919	\$13,666	\$21,384	
<u>\$0 Annual Admin.</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
<u>\$249,424 Annual Levy - All DU</u>	<u>\$280,049</u>	<u>\$70,403</u>	<u>\$225,778</u>	

Source: General Government Management Services.

TABLE NO. 12
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 10A
DEBT SERVICE

Period Ending 1-Sep	Class DU	Developed Revenue					Gross Undeveloped Revenue				
		All Lots	147	Total	high	253.4%	Class Undev.	Total	high	471.4%	Class Undev.
		147	Total	Adjusted	low	110.1%		Adjusted	low	204.8%	
	Rate	\$	Revenue	Debt Service	Unused Revenues	DS Coverage	Acres	Debt Service	Unused Revenues	DS Coverage	Acres
		\$ 1,100					40.11				
2003		\$ 161,700	\$ 161,700	\$ 63,816	\$ 97,884	253.4%		\$ 300,825	\$ 63,816	\$ 63,816	471.4%
2004		\$ 164,934	\$ 164,934	\$ 149,181	\$ 15,753	110.6%		\$ 306,842	\$ 149,181	\$ 157,661	205.7%
2005		\$ 168,233	\$ 168,233	\$ 149,181	\$ 19,052	112.8%		\$ 312,978	\$ 149,181	\$ 163,797	209.8%
2006		\$ 171,597	\$ 171,597	\$ 154,181	\$ 17,416	111.3%		\$ 319,238	\$ 154,181	\$ 165,057	207.1%
2007		\$ 175,029	\$ 175,029	\$ 158,969	\$ 16,060	110.1%		\$ 325,623	\$ 158,969	\$ 166,654	204.8%
2008		\$ 178,530	\$ 178,530	\$ 158,544	\$ 19,986	112.6%		\$ 332,135	\$ 158,544	\$ 173,591	209.5%
2009		\$ 182,100	\$ 182,100	\$ 163,119	\$ 18,981	111.6%		\$ 338,778	\$ 163,119	\$ 175,659	207.7%
2010		\$ 185,742	\$ 185,742	\$ 167,331	\$ 18,411	111.0%		\$ 345,553	\$ 167,331	\$ 178,222	206.5%
2011		\$ 189,457	\$ 189,457	\$ 171,281	\$ 18,176	110.6%		\$ 352,464	\$ 171,281	\$ 181,183	205.8%
2012		\$ 193,246	\$ 193,246	\$ 174,969	\$ 18,277	110.4%		\$ 359,514	\$ 174,969	\$ 184,545	205.5%
2013		\$ 197,111	\$ 197,111	\$ 178,394	\$ 18,717	110.5%		\$ 366,704	\$ 178,394	\$ 188,310	205.6%
2014		\$ 201,054	\$ 201,054	\$ 181,469	\$ 19,585	110.8%		\$ 374,038	\$ 181,469	\$ 192,569	206.1%
2015		\$ 205,075	\$ 205,075	\$ 184,269	\$ 20,806	111.3%		\$ 381,519	\$ 184,269	\$ 197,250	207.0%
2016		\$ 209,176	\$ 209,176	\$ 186,794	\$ 22,382	112.0%		\$ 389,149	\$ 186,794	\$ 202,355	208.3%
2017		\$ 213,360	\$ 213,360	\$ 193,794	\$ 19,566	110.1%		\$ 396,932	\$ 193,794	\$ 203,138	204.8%
2018		\$ 217,627	\$ 217,627	\$ 195,194	\$ 22,433	111.5%		\$ 404,871	\$ 195,194	\$ 209,677	207.4%
2019		\$ 221,979	\$ 221,979	\$ 201,294	\$ 20,685	110.3%		\$ 412,968	\$ 201,294	\$ 211,674	205.2%
2020		\$ 226,419	\$ 226,419	\$ 201,794	\$ 24,625	112.2%		\$ 421,228	\$ 201,794	\$ 219,434	208.7%
2021		\$ 230,947	\$ 230,947	\$ 201,994	\$ 28,953	114.3%		\$ 429,652	\$ 201,994	\$ 227,658	212.7%
2022		\$ 235,566	\$ 235,566	\$ 201,894	\$ 33,672	116.7%		\$ 438,245	\$ 201,894	\$ 236,351	217.1%
2023		\$ 240,278	\$ 240,278	\$ 200,706	\$ 39,572	119.7%		\$ 447,010	\$ 200,706	\$ 246,304	222.7%
2024		\$ 245,083	\$ 245,083	\$ 204,175	\$ 40,908	120.0%		\$ 455,950	\$ 204,175	\$ 251,775	223.3%
2025		\$ 249,985	\$ 249,985	\$ 201,956	\$ 48,029	123.8%		\$ 465,069	\$ 201,956	\$ 263,113	230.3%
2026		\$ 254,985	\$ 254,985	\$ 204,394	\$ 50,591	124.8%		\$ 474,371	\$ 204,394	\$ 269,977	232.1%
2027		\$ 260,084	\$ 260,084	\$ 201,144	\$ 58,940	129.3%		\$ 483,858	\$ 201,144	\$ 282,714	240.6%
2028		\$ 265,286	\$ 265,286	\$ 202,550	\$ 62,736	131.0%		\$ 493,535	\$ 202,550	\$ 290,985	243.7%
2029		\$ 270,592	\$ 270,592	\$ 203,100	\$ 67,492	133.2%		\$ 503,406	\$ 203,100	\$ 300,306	247.9%
2030		\$ 276,004	\$ 276,004	\$ 202,950	\$ 73,054	136.0%		\$ 513,474	\$ 202,950	\$ 310,524	253.0%
2031		\$ 281,524	\$ 281,524	\$ 202,100	\$ 79,424	139.3%		\$ 523,744	\$ 202,100	\$ 321,644	259.2%
2032		\$ 287,154	\$ 287,154	\$ 200,550	\$ 86,604	143.2%		\$ 534,218	\$ 200,550	\$ 333,668	266.4%
2033		\$ 292,897	\$ 292,897	\$ 203,300	\$ 89,597	144.1%		\$ 544,903	\$ 203,300	\$ 341,603	268.0%
			<u>\$ 6,852,756</u>	<u>\$ 5,664,387</u>				<u>\$12,748,795</u>	<u>\$ 5,664,387</u>		

Source: General Government Management Services.

**TABLE NO. 13
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 12A FACTORS**

Factors	Model		1	2
	Lot Size	DU sf	1,566	2,406
7.00% Interest				
30 Term				
2.0% Escalator				
10.0% Coverage				
\$ - Annual Admin				
24 Capitalized Interest (months)				
108 SF Dwelling Units	108		70	38
\$ 181,765 Average House Price	\$ 181,765	\$	159,950	\$ 221,950
29.14 Acreage Gross				
14.88 Acreage Net	14			
1.20576% Existing Ad Valorem				
Need:				
\$ 1,395,000 New Funding				
\$ - Currently Funded				
\$ 1,395,000 To be Funded				
Debt Service				
\$ 12,917 Value per DU	\$ 12,917	\$	11,366	\$ 15,772
Per DU:				
\$ 931.67 Annual Debt Service	\$ 932	\$	900	\$ 990
\$93.17 Annual Coverage	\$ 93		\$90	\$99
\$0.00 Annual Admin.	\$ -		\$0	\$0
\$1,024.83 Annual Levy per DU	\$ 1,025		\$990	\$1,089
0.56% CFD Facilities Tax Percentage	0.56%		0.62%	0.49%
1.90% Total Tax Percentage	1.90%		1.97%	1.80%
\$ 4,180.23 Undeveloped				
Total Annual Levy				
\$ 111,750 Maximum Annual Debt Service	\$ 111,750		\$72,431	\$39,319
\$10,062 Annual Coverage	\$ 10,062		\$9,720	\$10,692
\$0 Annual Admin.	\$0		\$0	\$0
\$121,812 Annual Levy - All DU	\$121,812		\$82,151	\$50,011

Source: General Government Management Services.

**TABLE NO. 14
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 12A
DEBT SERVICE**

Period Ending 1-Sep	Developed Revenue								Gross Undeveloped Revenue					
	Class DU	< 2,000		> = 2,000		108 Total Revenue	Total Adjusted Debt Service	high low Unused Revenues	293.1% 110.5% DS Coverage	Class Acres	Undev. 30 7,500	Total Adjusted Debt Service	high low Unused Revenues	589.9% 222.3% DS Coverage
		70		38										
		\$	1,000	\$	1,100									
2003		\$	70,000	\$	41,800	\$	111,800	\$	38,142	\$	73,658	\$	293.1%	
2004		\$	71,400	\$	42,636	\$	114,036	\$	99,163	\$	14,873	\$	115.0%	
2005		\$	72,828	\$	43,489	\$	116,317	\$	103,863	\$	12,454	\$	112.0%	
2006		\$	74,285	\$	44,358	\$	118,643	\$	103,225	\$	15,418	\$	114.9%	
2007		\$	75,770	\$	45,246	\$	121,016	\$	107,588	\$	13,428	\$	112.5%	
2008		\$	77,286	\$	46,151	\$	123,436	\$	111,738	\$	11,698	\$	110.5%	
2009		\$	78,831	\$	47,074	\$	125,905	\$	110,675	\$	15,230	\$	113.8%	
2010		\$	80,408	\$	48,015	\$	128,423	\$	109,363	\$	19,060	\$	117.4%	
2011		\$	82,016	\$	48,975	\$	130,992	\$	108,050	\$	22,942	\$	121.2%	
2012		\$	83,656	\$	49,955	\$	133,611	\$	111,738	\$	21,873	\$	119.6%	
2013		\$	85,330	\$	50,954	\$	136,284	\$	110,163	\$	26,121	\$	123.7%	
2014		\$	87,036	\$	51,973	\$	139,009	\$	108,513	\$	30,496	\$	128.1%	
2015		\$	88,777	\$	53,013	\$	141,789	\$	106,863	\$	34,926	\$	132.7%	
2016		\$	90,552	\$	54,073	\$	144,625	\$	110,213	\$	34,412	\$	131.2%	
2017		\$	92,364	\$	55,154	\$	147,518	\$	108,113	\$	39,405	\$	136.4%	
2018		\$	94,211	\$	56,257	\$	150,468	\$	111,013	\$	39,455	\$	135.5%	
2019		\$	96,095	\$	57,382	\$	153,477	\$	108,613	\$	44,864	\$	141.3%	
2020		\$	98,017	\$	58,530	\$	156,547	\$	111,213	\$	45,334	\$	140.8%	
2021		\$	99,977	\$	59,701	\$	159,678	\$	108,513	\$	51,165	\$	147.2%	
2022		\$	101,977	\$	60,895	\$	162,871	\$	110,813	\$	52,058	\$	147.0%	
2023		\$	104,016	\$	62,113	\$	166,129	\$	107,375	\$	58,754	\$	154.7%	
2024		\$	106,097	\$	63,355	\$	169,451	\$	108,938	\$	60,513	\$	155.5%	
2025		\$	108,219	\$	64,622	\$	172,841	\$	110,156	\$	62,685	\$	156.9%	
2026		\$	110,383	\$	65,914	\$	176,297	\$	111,031	\$	65,266	\$	158.8%	
2027		\$	112,591	\$	67,233	\$	179,823	\$	111,563	\$	68,260	\$	161.2%	
2028		\$	114,842	\$	68,577	\$	183,420	\$	111,750	\$	71,670	\$	164.1%	
2029		\$	117,139	\$	69,949	\$	187,088	\$	111,500	\$	75,588	\$	167.8%	
2030		\$	119,482	\$	71,348	\$	190,830	\$	110,900	\$	79,930	\$	172.1%	
2031		\$	121,872	\$	72,775	\$	194,647	\$	109,950	\$	84,697	\$	177.0%	
2032		\$	124,309	\$	74,230	\$	198,539	\$	108,650	\$	89,889	\$	182.7%	
2033		\$	126,795	\$	75,715	\$	202,510	\$	107,000	\$	95,510	\$	189.3%	
						\$	4,738,021	\$	3,306,388					
										\$	9,535,374	\$	3,306,388	

Source: General Government Management Services.

**TABLE NO. 15
COMMUNITY FACILITIES DISTRICT NO. 93-1
IMPROVEMENT AREA NO. 14A FACTORS**

		IA 14A		
		Attached	4000 s.f.	5000 s.f.
Factors				
	7.00% Interest			
	30 Term			
	2.0% Escalator			
	10.0% Coverage			
\$	- Annual Admin			
	24 Capitalized Interest (months)			
	1,377 Dwelling Units	181	433	763
\$	190,450 Average House Price	\$ 145,000	\$ 175,000	\$ 210,000
	Lowest Home Price			
	256.88 Acreage Gross	256.88		
	129.00 Acreage Net	129.00		
	1.20576% Existing Ad Valorem			
Need:				
\$	17,415,000 New Funding 14A			
\$	3,663,500 Currently Funded 14A			
\$	21,078,500 To be Funded			
Debt Service				
\$	15,308 Value per DU			
Per DU:				
\$	1,171.77 Annual Debt Service	\$917	\$1,145	\$1,410
\$	117.18 Annual Coverage	\$92	\$114	\$141
	\$0.00 Annual Admin.	\$0	\$0	\$0
\$1,288.95	Annual Levy per DU	\$1,009	\$1,259	\$1,551
	CFD Facilities Tax Percentage	0.70%	0.72%	0.74%
	Total Tax Percentage	2.0%	2.0%	2.0%
\$	6,909.36 Undeveloped			
Total Annual Levy				
\$1,613,525	Maximum Annual Debt Service	\$212,090	\$507,376	\$894,059
\$161,353	Annual Coverage	\$21,209	\$50,738	\$89,406
\$0	Annual Admin.	\$0	\$0	\$0
\$1,774,878	Annual Levy - All DU	\$233,299	\$558,113	\$983,465

Source: General Government Management Services.

<u>Combined</u>	2.05%
high	267.0%
low	119.7%

Source: General Government Management Services.

Delinquencies and Foreclosure Actions

No parcels within the Improvement Area have experienced any delinquencies.

The District has covenanted to initiate foreclosure action in the Superior Court against parcels with delinquent Special Taxes as provided in the District Indenture.

Foreclosure proceedings are directed by the District through a notification to foreclosure counsel as to the delinquent assessor parcel numbers for which foreclosure proceedings are to be initiated. The District first removes the delinquent Special Taxes from the County Tax Roll, as required by law. Foreclosure counsel then initiates a request for a title search to identify the current legal owner of a delinquent parcel. Foreclosure counsel also sends a written demand for payment to the owner shown on the Tax Roll, followed by the filing of a complaint with the Superior Court in Riverside County and recording a *lis pendens* against the property at the office of the County Recorder.

Each legal owner and all holders of any other interest in the land must file an answer to the complaint within 30 days following the completion of service of process on them. If no answer is filed with such 30 day period, foreclosure counsel files a request that a default judgment be entered by the Court. If any party files an answer, then the case must be litigated, and foreclosure counsel will typically file a motion for summary judgment.

Following the entry of a judgment, whether by default or otherwise, against all defendants, foreclosure counsel requests a writ of sale from the Court for delivery to the Sheriff. The writ of sale is delivered to the Sheriff with instructions to execute on the delinquent parcel. Levy by the Sheriff consists of posting notice on the delinquent property, followed by mailing of notice to the last known address of the legal owner and publication of the notice of levy.

Thereafter, the delinquent property owner is entitled to a redemption period of 120 days. Following such 120 day period, foreclosure proceedings can continue following the publication and mailing of a notice of sale of the delinquent parcel or parcels, which sale must be at least 20 days following such notice. The foreclosure process described above typically takes at least six months from the date on which a judgment is entered and can take substantially longer.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Indenture, the District Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified to the extent that the enforceability of certain legal rights related to the Indenture is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

McFarlin & Anderson, Lake Forest, California (“Bond Counsel”), will render an opinion which states that the Indenture and the Bonds are valid and binding contracts of the Authority and are enforceable in accordance with their terms. McFarlin & Anderson will render an opinion which states that the District Indenture and the District Bonds are valid and binding contracts of the District and are enforceable in accordance with their terms. The legal opinions of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors’ rights and to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

The Authority has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Authority, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors’ rights generally.

Certain legal matters will be passed on for the Authority and the District by Aklufi & Wysocki, Riverside, California, as Authority Counsel. In addition, certain legal matters will be passed on by Fulbright & Jaworski L.L.P., Los Angeles, California, Disclosure Counsel. Certain legal matters will be passed on for the Underwriter by Burke, Williams & Sorensen, LLP, Irvine, California, as Underwriter’s Counsel.

Fees payable to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

Tax Exemption

In the opinion of McFarlin & Anderson, Lake Forest, California, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants and agreements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “**APPENDIX J**” hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the District have covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the

date of original issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or event occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Owners of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Should interest on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption as a result of such event and will remain Outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstance.

Certain requirements and procedures contained or referred to in the Indenture, the tax certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than McFarlin & Anderson.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an owner’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bond or such owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Absence of Litigation

The Authority will furnish a certificate dated as of the date of delivery of the Bonds that there is not now known to be pending or threatened any litigation restraining or enjoining the execution or delivery of the Indenture, the District Indenture or the sale or delivery of the Bonds or in any manner questioning the proceedings and authority under which the Indenture and the District Indenture are to be executed or delivered or the Bonds and the District Bonds are to be delivered or affecting the validity thereof.

CONCLUDING INFORMATION

No Rating on the Bonds

The Authority has not made, and does not contemplate making, any application for a rating on the Bonds. No such rating should be assumed based upon any other Authority rating that may be obtained. Prospective purchasers of the Bonds are required to make independent determinations as to the credit quality of the Bonds and their appropriateness as an investment. Should a Bondowner elect to sell a Bond prior to maturity, no representations or assurances can be made that a market will have been established or maintained for the purchase and sale of the Bonds. The Underwriter assumes no obligation to establish or maintain such a market and is not obligated to repurchase any of the Bonds at the request of the owner thereof.

Underwriting

O'Connor Southwest Securities, Newport Beach, California (the "Underwriter") is offering the Bonds at the prices set forth on the cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds at a price equal to approximately 96.653542% (\$20,703,188.65) of the aggregate principal amount of the Bonds, which amount represents the principal amount of the Bonds, less the Underwriter's discount of \$535,500.00 and an Original Issue Discount of \$181,311.35. The Underwriter will pay certain of its expenses relating to the offering.

Experts

The Market Absorption Study prepared by Empire Economics, Capistrano Beach, California, and the Appraisal prepared by Harris Realty Appraisal, Newport Beach, California, as well as the Tax Spread projections prepared by General Government Management Services, Rancho Mirage, California, Special Tax Consultant, have been included in this Official Statement in reliance on and upon the authority of said firms as experts in the matters covered therein.

The Financing Consultant

The material contained in this Official Statement was prepared by Rod Gunn Associates, Inc., Huntington Beach, California, an independent financial consulting firm, who advised the Authority as to the financial structure and certain other financial matters relating to the Bonds. The information set forth herein has been obtained by Rod Gunn Associates, Inc. from sources which are believed to be reliable, but such information is not guaranteed by Rod Gunn Associates, Inc. as to accuracy or completeness, nor has it been independently verified. Fees paid to Rod Gunn Associates, Inc. are contingent upon the sale and delivery of the Bonds.

Special Tax Consultant and Project Engineer

The City Manager, as the principal of General Government Management Services, is serving as the District's Special Tax Consultant with respect to the Improvement Areas. The Special Tax Consultant, among other things, will be responsible for preparing a cash flow certificate showing that sufficient Special Taxes will be available to pay debt service on all District Bonds. Fees paid to the Special Tax Consultant are contingent upon the sale and delivery of the Bonds.

The City's Public Works Director, as a principal of Urban Logic Consultants, Inc., is serving as the City's Project Engineer with respect to the District. The Project Engineer will be responsible, among other things, for engineering estimates with respect to the Project. The fees paid to the Project Engineer are contingent upon the sale and delivery of the Bonds.

Additional Information

The summaries and references contained herein with respect to the Indenture, the District Indenture, the Bonds, the District Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the Bonds or District Bonds are qualified in their entirety by reference to the form hereof included in the Indenture or District Indenture. Definitions of certain terms used herein are set forth in "APPENDIX A". Copies of the Indenture and the District Indenture are available for inspection during the period of initial offering on the Bonds at the offices of the Financing Consultant, Rod Gunn Associates, Inc., 16371 Gothard Street, Suite A, Huntington Beach, California 92647-3652, telephone (714) 841-3993 or the Underwriter, O'Connor Southwest Securities, 3 Civic Plaza, Suite 100, Newport Beach, California 92660, telephone (949) 717-2000. Copies of these documents may be obtained after delivery of the Bonds from the Authority through the City Manager, City of Beaumont, 550 E. 6th Street, Beaumont, California 92223.

References

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the Bonds.

Execution

The execution of this Official Statement by the Executive Director has been duly authorized by the Beaumont Financing Authority.

BEAUMONT FINANCING AUTHORITY

By: /s/ Alan C. Kapanicas
Executive Director

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

DEFINITIONS OF CERTAIN TERMS USED IN THE INDENTURE AND THE DISTRICT INDENTURE

Unless otherwise defined in this Official Statement, the following terms have the following meanings.

“Act” means “Mello-Roos” Community Facilities Act of 1982, commencing with Section 53311 of the Government Code of the State of California.

“Administrative Expense Fund” means the fund by that name created and established pursuant to the District Indenture.

“Administrative Expenses” means the ordinary and necessary fees and expenses for creation of the District, issuance of the District Bonds, determination of the Special Tax and administering the levy and collection of the Special Tax and servicing the District Bonds, including any or all of the following: the fees and expenses of the District Trustee and the Trustee (including any fees or expenses of its counsel), the expenses of the District and the Authority in carrying out their respective duties hereunder (including, but not limited to, annual audits, special tax consultants and attorneys and costs incurred in the levying and collection of the Special Taxes) including the fees and expenses of their counsel, an allocable share of the salaries of staff directly related thereto and a proportionate amount of general administrative overhead related thereto and all other costs and expenses incurred in connection with the discharge of their respective duties hereunder and, in the case of the District, in any way related to the administration of the District.

“Annual Debt Service” means, for each Bond Year, the sum of (i) the interest payable on the Outstanding Bonds in such Bond Year, and (ii) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, whether at maturity or pursuant to sinking fund redemption.

“Apportionment” means with respect to each Improvement Area the apportionment of tax revenues by the Auditor-Controller of the County of Riverside for such Improvement Area.

“Authorized Representative” means: (a) with respect to the Authority, its Chairperson, Vice Chairperson, Executive Director, Treasurer, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairperson and filed with the Trustee; and (b) with respect to the District, the Mayor, City Manager, City Clerk, Treasurer, Finance Director or any other person designated as an Authorized Representative of the District by a Written Certificate of the District signed by the Mayor or City Manager and filed with the Trustee.

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

“Bond Counsel” means (a) McFarlin & Anderson, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to the Indenture.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title I of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Year” means each twelve-month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall commence on the Closing Date and end on September 1, 2003.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the State of California or in the State of New York, or in the city in which the Trustee Office is located.

“Cash Flow Certificate” means a certificate or other document of an Independent Accountant or an Independent Financial Consultant showing as of any particular date:

(1) For the current and each future Bond Year the amount of scheduled or estimated amount of Revenues to be received in each such Bond Year and the Annual Debt Service for each such Bond Year with respect to all of a Series of the Bonds then Outstanding;

(2) In each such Bond Year, the difference between (i) the Annual Debt Service referred to in (1) above, and (ii) the Revenues referred to in (1) above;

(3) That such scheduled and estimated Revenues and any other revenues, investment income or funds reasonably estimated by such Independent Accountant or Independent Financial Consultant, as applicable, to be available for the payment of such Annual Debt Service referred to in (1) above are in each such Bond Year in excess of such Annual Debt Service for each such Bond Year; and,

(4) If applicable, a schedule of Permitted Investments purchased or to be purchased by or on behalf of the Authority for investment of moneys to be deposited in the Reserve Fund.

“City Clerk” means the City Clerk of the City, acting on behalf of the District.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Completion of the Project” means certification by the District to the District Trustee that (i) all Project Costs have been paid and (ii) the filing and recordation of a notice of completion by the District with respect to the facilities.

“Construction Fund” means the fund by that name established pursuant to the District Indenture.

“Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of Outstanding Bonds scheduled to mature or to be redeemed by operation of mandatory sinking account deposits in such period; and (b) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer outstanding.

“District Bond Fund” means the fund by that name established and held by the District Trustee pursuant to the District Indenture.

“District Bonds” means City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds, 2003 Series A.

“District Indenture” means the Indenture of Trust, by and between the District and the District Trustee as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions thereof.

“District Special Tax Fund” means the fund by that name created and established pursuant to the District Indenture.

“District Trustee” means Union Bank of California, N.A., Los Angeles, California, a national banking corporation organized and existing under the laws of the United States of America, or its successor, as Trustee.

“Federal Securities” means any direct general obligation of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the payment of principal of and interest on which are directly or indirectly unconditionally guaranteed by the United States of America and direct obligations of any department, agency or instrumentality of the United States of America the timely payment of principal and interest on which are fully guaranteed by the United States of America.

“Fiscal Year” means any twelve-month period extending from July 1 in any one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority, or the District, or the City, as applicable, as its official fiscal year period.

“Gross Taxes” means, with respect to each Series of District Bonds and the related Improvement Area, the amount of all Special Taxes for such Improvement Area and proceeds from the sale of the property collected pursuant to the foreclosure provisions of the District Indenture for the delinquency of such Special Taxes and proceeds from any security for payment of Special Taxes for such Improvement Area taken in lieu of foreclosure.

“Improvement Area” means such Improvement Area of the District, heretofore or hereafter existing.

“Independent Financial Consultant” means either the Original Purchaser or any financial consultant or firm of such financial consultants appointed by the Authority and who, or each of whom: (a) is judged by the Authority to have experience with respect to the financing of public capital improvements projects, (b) is in fact independent and not under the domination of the Authority, the City or the District, (c) does not have any substantial interest, direct or indirect, with the Authority, the City or the District, and (d) is not connected with the Authority, the City or the District as an officer or employee of the Authority, the City or the District, but who may be regularly retained to make reports to the Authority, the City or the District.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody’s Investors Service “Municipal and Government,” 5250-77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Municipal News Reports; Standard & Poor’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

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

“Interest Payment Date” means March 1 and September 1, commencing September 1, 2003.

“Joint Financing Agreement” means the Joint Financing and Construction Agreement among the District and public agency, including but not limited to, the Beaumont-Cherry Valley Water District, the San Geronio Pass Water Agency, and the Memorandum of Understanding between the District and the California Department of Transportation, as the case may be.

“Maximum Annual Debt Service” with respect to the Bonds, means as of the date of any calculation, the largest Annual Debt Service during the current or any future Bond Year, and with respect to any Series of District Bonds means, as of the date of any calculation, the largest Annual Debt Service on the applicable Series of District Bonds during the current or any future Bond Year.

“Maximum Special Tax” shall have the meaning given to such term in the Rate and Method of Apportionment of Special Tax for the applicable Improvement Area approved by the City Council as the legislative body of the District, as it may be amended by the qualified electors of the applicable Improvement Area.

“Minimum Rating” means a rating of Baa or better by Moody’s or BBB or better by S&P, without regard to plus (+) or minus (-) designations. In the event the rating system of Moody’s or S&P with respect to any particular Permitted Investment does not include any such rating categories, the Minimum Rating with respect to Permitted Investment shall mean one of the two highest general rating categories applicable to such Permitted Investment (determined without regard to any refinement or gradation of such rating category by a numerical modifier, a plus or minus sign, or otherwise) assigned by Moody’s or S&P, as applicable.

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

“Net Taxes” means, with respect to an Improvement Area, the amount of all Gross Taxes of such Improvement Area minus Administrative Expenses relating to said Improvement Area.

“Ordinance” means Ordinance No. 721 and subsequent ordinances adopted by the legislative body of the District providing for the levying of the Special Tax in each Improvement Area.

“Outstanding”, when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liabilities of the Authority shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) defeased as described in the Indenture; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” or **“Bondowner”**, whenever used with respect to a Bond or District Bond, means the person in whose name the ownership of such Bond or District Bond is registered on the Registration Books.

“Parity District Bonds” means, with respect to any Improvement Area, all bonds, notes or other similar evidences of indebtedness hereafter issued, payable out of the Net Taxes of such Improvement Area and which, as provided in the District Indenture, rank on a parity with the District Bonds relating to the same Improvement Area.

“Permitted Investments” means:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export-Import Bank; (ii) Farmers Home Administration; (iii) General Services Administration; (iv) U.S. Maritime Administration; (v) Small Business Administration; (vi) Government National Mortgage Association (“GNMA”); (vii) U.S. Department of Housing and Urban Development or (viii) Federal Housing Administration; (ix) Student Loan Marketing Association; (x) Federal Financing Bank; and (xi) Federal Farm Credit Bank;

(c) bonds, debentures, notes or other evidences of indebtedness issued or fully unconditionally guaranteed by and of the following United States Government non-full faith and credit agencies: Federal Home Loan Bank and Federal Land Bank;

(d) bonds, notes or other evidences of indebtedness rated “Aaa” by Moody’s or “AAA” by S&P and issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(e) U.S. dollar denomination deposit accounts, federal funds and bankers acceptances and certificates of deposit (whether negotiable or non-negotiable) with domestic commercial banks; provided that either: (a) the obligations of such bank are rated in one of the three highest rating categories (without regard to plus (+) or minus (-) designations) by Moody’s or S&P (the ratings of the holding company of a bank are not considered the rating of such bank); or (b) such deposits are fully insured by the Federal Deposit Insurance Corporation, provided, however that the portion of any certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, if any, shall be secured at all times in the manner provided by law by collateral security having a market value not less than the amount of such excess, consisting of securities described in paragraphs (a) through (d):

(f) commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which mature not more than 270 days after the date of purchase;

(g) investments in a money market fund registered with the Securities and Exchange Commission rated in the highest rating category (without regard to plus (+) or minus (-) designations) by Moody’s or S&P;

(h) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instruction have been given by the obligor to call on the date specified in the notice: and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody’s or any successors thereto; or (ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (b) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(i) tax-exempt obligations rated in either of the two highest rating categories (without regard to plus (+) or minus (-) designations) by Moody’s or S&P, including money market funds comprised solely of such obligations;

(j) Investment agreements, guaranteed investment contracts, funding agreements, or any other form of corporate debt representing the unconditional obligations of an investment provider rated AA or above by Moody’s or S&P, provided that the investment agreement shall provide that if during its term (a) the provider’s rating by either S&P or Moody’s falls below AA-/AA3, respectively, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider’s books) to a third party custodian (i) collateral which is at one hundred two percent (102%), computed weekly, consisting of such securities as described in clauses (a) through (d); (ii) the Trustee shall have perfected at first priority security interest in such obligations; and (iii) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the

collateral; and (b) the provider's rating by either S&P or Moody's is withdrawn, suspended, or falls below A-/A3, respectively, the provider must within 5 Business Days repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or the Trustee.

(k) Program Fund Investment Agreements and Reserve Fund Investment Agreements as shall be specified in an applicable Supplemental Indenture;

(l) Repurchase agreements with financial institutions insured by the FDIC, or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), provided that : (a) the over-collateralization is at one hundred two percent (102%), computed weekly, consisting of the securities described in paragraphs (a) through (d) of the definition of Permitted Investments; (b) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such obligations; (c) the Trustee shall have perfected a first priority security interest in such obligations; and (d) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral; and

(m) Local Obligations purchase in accordance with the Indenture.

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

"Principal Account" means the account by that name in the Bond Fund established pursuant to the Indenture.

"Proceeds" when used with respect to the Bonds, means the face amount of a Series of the Bonds, plus accrued interest and original issue premium, if any, less original issue discount, if any.

"Program Expenses" means all costs and expenses of the Authority incurred in connection with the issuance and administration of the Bonds, including but not limited to (a) all items of expense directly or indirectly payable by or reimbursable to the Authority relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to capitalized interest on the Bonds, underwriter's discount, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds, (b) the fees and expenses payable to the Trustee, the Authority and their respective counsel, and other Persons for professional services rendered in connection with the administration of the Bonds, (c) fees and expenses of Independent Accountants for preparation of annual audits required by the Indenture and (d) financial losses determined by the Authority to have been sustained for any reason whatsoever as a result of the liquidation of any Permitted Investment.

"Project" means the construction, acquisition and equipping of certain real and other tangible property with an estimated useful life of five years or longer, which is to be acquired or constructed within and without the District, including certain roadways, storm drain facilities, flood control facilities, water facilities and fire protection facilities, as more particularly described in the approving Resolution of the District with respect to the Improvement Area.

"Project Costs" means the amounts necessary to finance the Project, to create and replenish any necessary reserve funds to pay the annual costs associated with the Bonds, including, but not limited to, District Trustee and other fees and to pay any "incidental expenses" of the District, as such term is defined in the Act, including, until such time as Special Taxes are levied and proceeds of the Special Tax are available therefor, Administrative Expenses.

“Qualified Bank” means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which has a capital and surplus of \$50,000,000 or more and which has a short term debt rating of the highest ranking or of the highest letter and numerical rating as provided by Moody’s Investors Service or Standard & Poor’s Ratings Group.

“Qualified Reserve Fund Credit Instrument” means a policy of insurance or surety bond issued by an insurance company, obligations insured by which have a rating by Moody’s Investors Service and Standard & Poor’s Ratings Group of “A” or better (without regard to plus (+) or minus (-) designations), or an irrevocable letter of credit, line of credit or similar arrangement issued by a Qualified Bank, to satisfy all or a portion of the Reserve Requirement.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a business day.

“Redemption Account” means the applicable account by that name in the Bond Fund established pursuant to the Indenture.

“Registration Books” means the record maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

“Reserve Fund” means the Fund by that name established pursuant to the Indenture.

“Reserve Requirement” means with respect to the Bonds, the lesser of (i) \$1,968,800.00 or (ii) maximum annual debt service on the outstanding Bonds.

“Revenues” means, with respect to a Series of the Bonds: (a) all amounts derived from or with respect to an issue of Local Obligations acquired or, if used with reference to a Cash-Flow Certificate, to be acquired with the proceeds of such Series of the Bonds, other than amounts in payment of Program Expenses or indemnity against claims payable to the Authority and the Trustee; (b) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture providing for the issuance of such Series of the Bonds; and (c) any other investment income received under the Indenture providing for the issuance of such Series of the Bonds.

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

“Securities Depositories” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax - (516) 227-4039 or 4190; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in an Certificate of the Authority delivered to the Trustee.

“Series” means each series of Bonds or District Bonds, as applicable, and any other series of bonds issued pursuant to a Supplemental Indenture.

“Special Tax” or “Special Taxes” means, with respect to each Improvement Area, the special taxes authorized to be levied by the District in such Improvement Area in accordance with the Act, including any scheduled payments and any prepayments thereof, interest and penalties thereon and proceeds of the redemption or sale of property sold as a result of foreclosure of the lien of the Special Taxes.

“State” means the State of California.

“Supplemental Indenture” means (i) any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture or (ii) any indenture hereafter duly authorized and entered into between the District and the District Trustee, supplementing, modifying or amending the District Indenture.

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

“Tax Regulations” means temporary and permanent regulations promulgating under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

“Trust Office” means the corporate trust office of the Trustee at 120 South San Pedro, 4th Floor, Los Angeles, California 90012 or at such other or additional offices as may be specified in writing to the Authority and the City.

“Written Certificate”, “Written Request” and “Written Requisition” of the Authority, the District or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority, the District or the City by its Authorized Representative. Any such certificate, request or instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

APPENDIX B

CITY OF BEAUMONT INFORMATION STATEMENT

The following information concerning the City of Beaumont is presented as general background data. The Bonds are not an obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.

General Information

The City of Beaumont is a general law city governed by a five elected member City Council who are elected to four-year alternating terms. The City Council appoints the Mayor as well as the City Manager. The City Manager is responsible for the day-to-day administration of City business, the coordination of all departments of the City, and carrying out the policies established by the City Council.

The City is located approximately 77 miles east of downtown Los Angeles, near the juncture of the San Bernardino Freeway (Interstate Highway 10), and the Pomona Freeway (State Highway 60). It encompasses approximately 10 square miles. It is located at the crown of the San Gorgonio Pass between Mt. San Gorgonio and Mt. San Jacinto, in the north central area of Riverside County. The City is bordered on the east by the City of Banning, on the west by the City of Moreno Valley, on the south by the City of San Jacinto, and on the north by the unincorporated Cherry Valley.

City Services

Public Safety and Welfare. Beaumont provides police protection, and is under contract with the County of Riverside Fire Department for its fire protection. The City Police Department has 14 full-time sworn personnel, who in addition to criminal investigations, provide patrol services, traffic and DUI and narcotics enforcement.

Public Services. The City provides both waste water treatment service to its residents as well as a local mini bus system.

Community Services. Other services provided by the City include building permit and inspection, public infrastructure maintenance, and graffiti abatement.

Culture and Recreation. Located within the City are two parks that encompass twenty-two acres, one community center, and one library with nearly 60,000 volumes, periodicals, records, and specialized collections, and one municipal swimming pool.

Education. Located within the City are four elementary schools, one junior high school, and one high school. Nearby colleges include: Mt. San Jacinto Community College, Crafton Hills College, University of Redlands and Johnston College, and the University of California, Riverside.

Transportation. The City is located near several major freeways. These include the San Bernardino Freeway (Interstate 10), and the Pomona Freeway (State Highway 60). Both the San Bernardino Freeway and the Pomona Freeway provide easy access directly to Los Angeles, and via other freeways, to most destination points throughout Southern California. In addition the San Bernardino Freeway extends north to San Bernardino County and east to Palm Springs.

Air cargo and passenger flight services are provided at the Ontario International Airport, 35 miles west, and passenger service is provided at the Palm Springs Municipal Airport, 32 miles east.

Rail freight service is available from Southern Pacific Railroad and freight service is available from daily carriers to Los Angeles.

Bus service is provided by the Riverside Transportation Authority. The City also has bus terminals that service both Greyhound and Trailways.

Financial Information

Budget Process. In accordance with State law the City is required to adopt on or before June 30, of each year, a fiscal line-item budget such that appropriations during the fiscal year will not exceed the total means of financing. The finance director is responsible for controlling expenditures within budgeted appropriations.

The City Manager is authorized to transfer budgeted amounts within departments. All budgetary changes that alter the total expenditures of any department require City Council approval.

Constitutional Limitations on Taxes and Appropriations

Article XIII A. Article XIII A of the California Constitution limits the taxing power of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed one percent of the “full cash value” of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County Assessor’s valuation of real property as shown on the 1975/76 tax bill under ‘full cash value’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of votes cast by the voters voting on the proposition.

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership”, for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of real property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residences assessed value to the new residence.

Article XIII B. On November 6, 1979, California voters approved Proposition 4, or the Gann Initiative which added Article XIII B to the California Constitution. The principal thrust of Article XIII B is to limit the annual appropriations of the State and any city, county, city and county, school district, authority or other political subdivision of the State. The “base year” for establishing such appropriations limit is the 1978/79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by or for the entity and the proceeds of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. “Proceeds of taxes” include, but are not limited to, all tax revenues, certain State subventions, and the proceeds to an entity of government, from (1) regulatory licenses, user charges and user fees, to the extent that such charges and fees exceed the costs reasonably borne in providing the regulation, product or service, and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity’s revenues in any year exceed the amounts permitted

to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

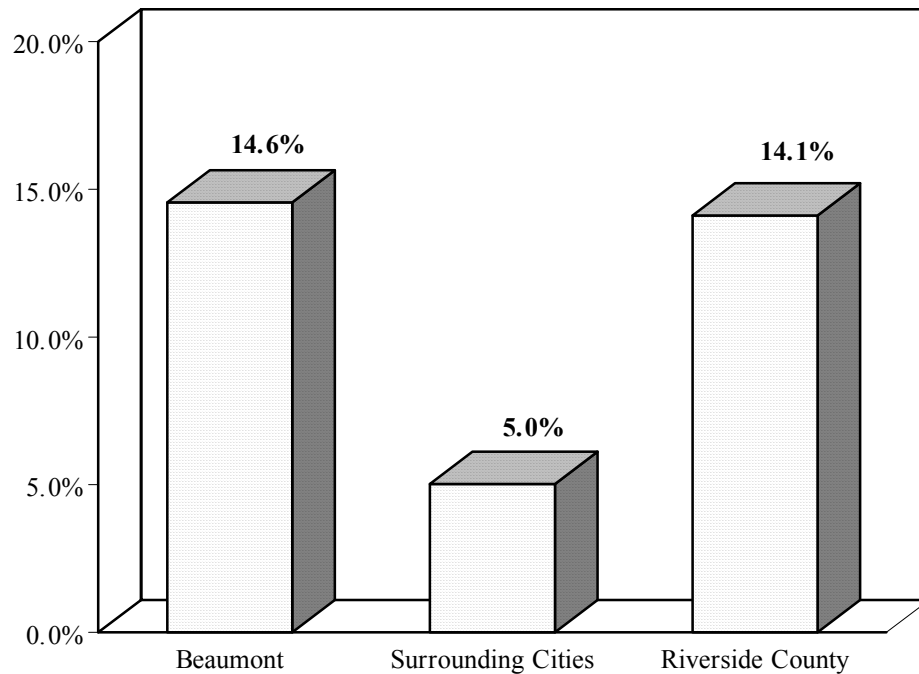
In the June 1990 election, the voters approved Proposition 111 amending the method of calculation of State and local appropriations limits. Proposition 111 made several changes to Article XIII B. First, the term “change in the cost of living” was refined as the change in the California per capita personal income (“CPCPI”) for the preceding year. Second, the appropriations limit for the fiscal year was recomputed by adjusting the 1986/87 limit by the CPCPI for the three subsequent years. Third and lastly, Proposition 111 excluded appropriations for “qualified capital outlay for fiscal year 1990/91 as defined by the legislature” from proceeds of taxes.

Future Initiatives. Both Article XIII A and XIII B were adopted as measures that qualified for the ballot pursuant to California’s Constitutional initiative process. From time to time other initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

Population

The following charts provide a comparison of population growth for Beaumont, surrounding cities and Riverside County between 1998 and 2002.

**TABLE NO. B-1
CHANGE IN POPULATION
BEAUMONT, SURROUNDING CITIES AND RIVERSIDE COUNTY
1998 - 2002**



Year	BEAUMONT		SURROUNDING CITIES		RIVERSIDE COUNTY	
	Population	Percentage Change	Population	Percentage Change	Population	Percentage Change
1998	10,650		186,950		1,441,000	
1999	10,850	1.9 %	189,650	1.4%	1,473,300	2.2%
2000	11,550	6.5 %	192,150	1.3%	1,557,800	5.7%
2001	11,700	1.3 %	194,750	1.4%	1,609,400	3.3%
2002	12,200	4.3 %	196,350	0.8%	1,644,300	2.2%
% Increase Between						
1998 - 2002		14.6%				
			5.0%		14.1%	

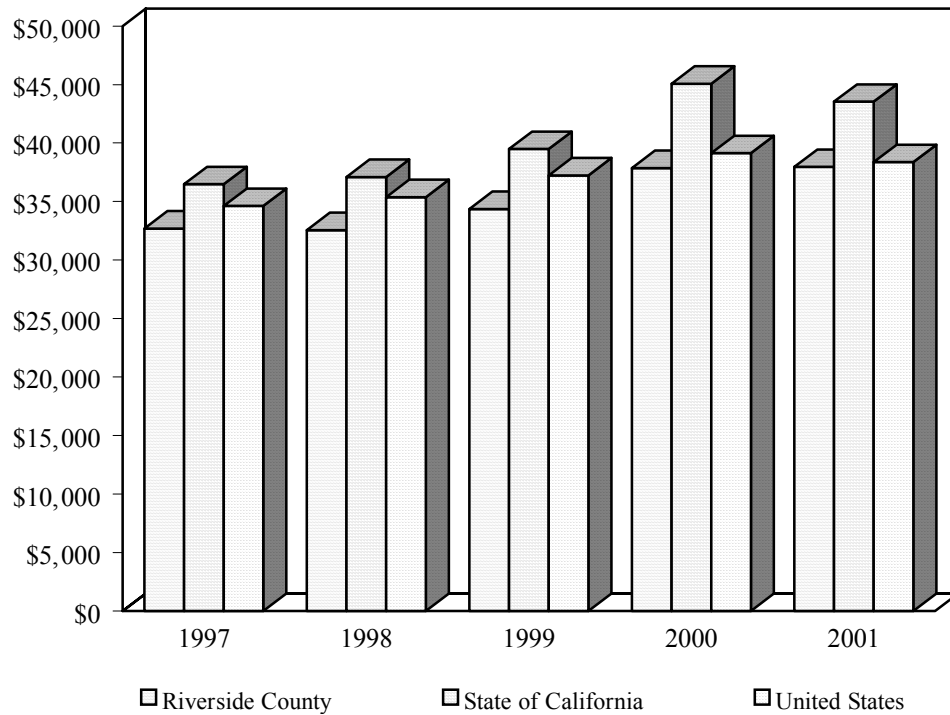
Surrounding cities include Banning, Moreno Valley and San Jacinto.

Source: State of California Department of Finance, Population Research Unit, "Population Estimates for California Cities and Counties", published annually in May for current year.

Personal Income

Median personal income information for Riverside County, the State of California and the United States are summarized in the following charts.

TABLE NO. B-2
EFFECTIVE BUYING INCOME
RIVERSIDE COUNTY, CALIFORNIA AND UNITED STATES
1996 – 2000



Year	Riverside County	State of California	United States
1997	32,690	36,483	34,618
1998	32,555	37,091	35,377
1999	34,356	39,492	37,233
2000	37,863	45,077	39,129
2001	37,962	43,532	38,365
% Increase Between 1997 - 2001	16%	19%	11%

Note: Personal income data not available for small geographical areas such as the City of Beaumont.

Source: Sales and Marketing Management, "Survey of Buying Power", published annually in September for prior year.

Employment and Industry

The City is located in the labor market area within the Riverside/San Bernardino Area MSA. Four major job categories constitute 81.7% of the work force. They are services (26.3%), wholesale and retail trade (24.5%), government (19.4%) and manufacturing (11.5%). The October, 2002 unemployment rate in the Riverside/San Bernardino area was 6.0%. The State of California October, 2002 unemployment rate (unadjusted) was 6.2%. The distribution of employment in the Riverside/San Bernardino area is as follows:

TABLE NO. B-3
RIVERSIDE/SAN BERNARDINO MSA
WAGE AND SALARY WORKERS BY INDUSTRY (1)
(in thousands)

Industry	1998	1999	2000	2001	2002
Government	178.2	182.8	189.3	196.7	209.4
Services	235.8	245.2	265.6	282.1	284.3
Finance, Insurance & Real Estate	31.7	30.1	33.1	32.1	34.8
Wholesale & Retail Trade	227.9	229.0	241.4	254.5	264.4
Transportation & Public Utilities	46.4	48.6	51.9	51.7	51.8
Manufacturing:					
Nondurable goods	37	36.9	40.3	40.9	40.5
Durable goods	77.5	80.8	84.9	86.5	84.1
Construction and Mining	62.0	67.0	82.7	85.7	96.2
Total Nonagricultural	896.5	920.4	989.2	1,030.2	1,065.5
Agriculture, forestry & fisheries	18.2	18.5	16.9	16.6	15.7
Total (all industries)	914.7	938.9	1,006.1	1,046.8	1,081.2

% OF TOTAL WORKERS

Industry	1998	1999	2000	2001	2002
Government	19.5 %	19.5 %	18.8 %	18.8 %	19.4 %
Services	25.8 %	26.1 %	26.4 %	26.9 %	26.3 %
Finance, Insurance & Real Estate	3.5 %	3.2 %	3.3 %	3.1 %	3.2 %
Wholesale & Retail Trade	24.9 %	24.4 %	24.0 %	24.3 %	24.5 %
Transportation & Public Utilities	5.1 %	5.2 %	5.2 %	4.9 %	4.8 %
Manufacturing:					
Nondurable goods	4.0 %	3.9 %	4.0 %	3.9 %	3.7 %
Durable goods	8.5 %	8.6 %	8.4 %	8.3 %	7.8 %
Construction and Mining	6.8 %	7.1 %	8.2 %	8.2 %	8.9 %
Total Nonagricultural	98.0 %	98.0 %	98.3 %	98.4 %	98.5 %
Agriculture, forestry & fisheries	2.0 %	2.0 %	1.7 %	1.6 %	1.5 %
Total (all industries)	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(1) Annually, as of October.

Source: State of California Employment Development Department, *Annual Planning Information* and *California Labor Market Bulletin*.

The major employers operating within the City and their respective number of employees as of June, 2002 are as follows:

**TABLE NO. B-4
CITY OF BEAUMONT
TOP EMPLOYERS**

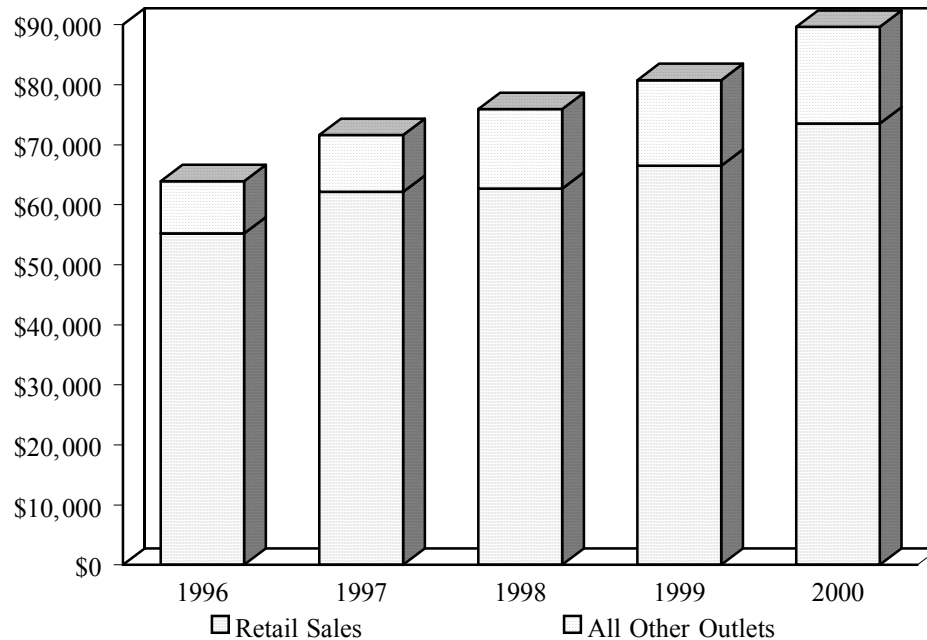
<u>Employer</u>	<u>Number of Employees</u>	<u>Type of Business</u>
Hy Lite Inc.	90	Glass Block Manufacturer
Stater Bros Market 86	89	Super Market
Dura Plastics Products Inc.	82	Plastics Manufacturer
Perricone Juices	78	Juice Factory
Food 4 Less 386	60	Super Market
Precision Stamping Inc.	60	Machine Shop
City of Beaumont	59	Municipality

Source: City of Beaumont.

Commercial Activity

The following charts summarize the volume of retail sales and taxable transactions for the City of Beaumont for 1996 through 2000.

TABLE NO. B-5
CITY OF BEAUMONT
TOTAL TAXABLE TRANSACTIONS
(in thousands)
1996 - 2000

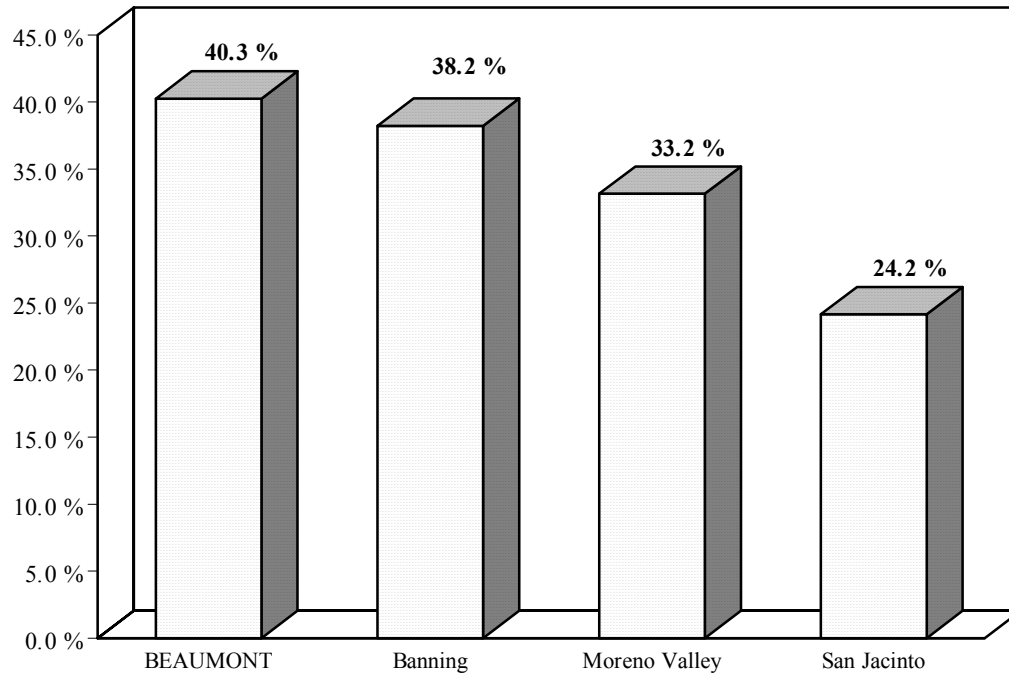


Year	Retail Sales		Retail Sales Permits	Total Taxable Transactions		Issued Sales Permits
	(\$000's)	% Change		(\$000's)	% Change	
1996	\$ 55,207		165	\$ 63,912		566
1997	62,121	12.5 %	163	71,628	12.1 %	781
1998	62,654	0.9 %	171	75,937	6.0 %	478
1999	66,485	6.1 %	168	80,763	6.4 %	443
2000	73,539	10.6 %	195	89,639	11.0 %	454

Source: State Board of Equalization, *Taxable Sales in California*, published approximately 15 months after close of current year listed for the next sequential year.

The following charts summarize the change in taxable transactions for the City of Beaumont and surrounding cities.

TABLE NO. B-6
CITY OF BEAUMONT AND SURROUNDING CITIES
CHANGE IN TOTAL TAXABLE TRANSACTIONS
(in thousands)
1996 - 2000



City	1996	1997	1998	1999	2000	% Change from 1996 - 2000
BEAUMONT	\$ 63,912	\$ 71,628	\$ 75,937	\$ 80,763	\$ 89,639	40.3 %
Banning	139,372	146,759	156,092	176,486	192,644	38.2 %
Moreno Valley	592,695	607,772	647,240	704,546	789,232	33.2 %
San Jacinto	60,566	58,582	62,694	70,095	75,195	24.2 %

Source: State Board of Equalization, *Taxable Sales in California*, published approximately 15 months after close of current year listed for the next sequential year.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C
MARKET ABSORPTION STUDY

[THIS PAGE INTENTIONALLY LEFT BLANK]

**MARKET ABSORPTION STUDY
SUMMARY AND CONCLUSIONS**

**CFD NO. 93-1
BEAUMONT FINANCING AUTHORITY
SERIES 2003 A**

**PREPARED FOR
CITY OF BEAUMONT
RIVERSIDE COUNTY, CALIFORNIA**

**PREPARED BY
EMPIRE ECONOMICS, INC**

*** ORIGINAL STUDY/SUMMARY: AUGUST 2002 ***

*** UPDATED SUMMARY - DECEMBER 30, 2002 ***

**Product Mix: Pages 1-6
Economic Conditions: Pages 9-12
Absorption: Pages 24-28**

INTRODUCTION TO THE BOND FINANCING PROGRAM

The City of Beaumont previously formed Community Facilities District No.93-1 as a means of funding the infrastructure that is required for the development of various forthcoming residential, commercial and business projects/properties. The City of Beaumont previously authorized Bond Issues for CFD No.93-1 in order to fund a portion of the infrastructure for some of the properties that were developing their projects. The forthcoming Bond Issue by the City of Beaumont's Financing Authority Series 2003 A, hereafter referred to as BFA Series 2003 A or CFD No.93-1 BFA Series 2003 A, will provide funds for additional infrastructure that is required for the following properties:

Area # 9 & # 10: Stone Pacific with 216 homes

Area # 12: Victoria Homes with 108 homes

Area # 14A: Oak Valley Greens with 1,366 homes for seniors

Together, the properties in the CFD No. 93-1 BFA Series 2003 A are expected to have a total of 1,690 housing units; there are no commercial-industrial projects.

The City of Beaumont has retained Empire Economics, an economic and real estate consulting firm, to perform a Market Absorption Study for the properties/projects that are expected to be included in CFD No.93-1 BFA Series 2003 A. The purpose of the Market Study for CFD No.93-1 BFA Series 2003 A is to provide an estimate of the probable absorption schedules for the forthcoming residential projects/products. Specifically, from the viewpoint of prospective Bond Purchasers, the particular components of the infrastructure should be time-phased and location-phased in a manner that approximately coincides with the expected marketability/absorption of the projects/products in CFD No.93-1 BFA Series 2003 A. Otherwise, to the extent that the infrastructure is not appropriately phased, then the following types of market inefficiencies may occur:

On the one hand, if certain projects do not have the infrastructure that is required to support their development in a timely manner, then they would not be able to respond to the demand in the marketplace, resulting in a market shortage.

On the other hand, if too much infrastructure is built, then projects for which there is not presently a market demand would incur high carrying costs due to the market surplus, and this could adversely impact their financial feasibility.

Thus, the Market Absorption Study formulates guidelines on the appropriate or optimal time-phasing and location-phasing of the infrastructure for the properties located in CFD No.93-1 BFA Series 2003 A, as a means of providing the bond purchasers with a reasonable amount of security from a market absorption perspective.

CHARACTERISTICS OF THE ACTIVE AND FORTHCOMING PRODUCTS IN CFD NO.93-1 BFA SERIES 2003 A

The properties in CFD No.93-1 BFA Series 2003 A are expected to receive planning approvals/entitlements for some 1,690 housing units; 57 of these homes have closed escrows as of August 2002, and so the majority of the homes, 1,633, are for future development.

With respect to the composition of the 1,633 active/forthcoming housing units in CFD No. 93-1 BFA Series 2003 A, their characteristics by ownership and Improvement Area (IA) are as follows:

- Stone Pacific (IA #9 & # 10) is expected to have 216 single-family detached homes that are priced at some \$147-173,000 for some 1,431-1,845 sq.ft. of living area, resulting in a value ratio (price/living area) of \$98. Thus far, there have been 57 homes that have closed escrow, and so there are another 159 homes for future homeowners.
- Victoria Homes (IA # 12) is expected to have 108 single-family detached homes on large lots of 10,000+ sq.ft., designed to accommodate RVs, that are priced at some \$160-226,000 for some 1,591-2,470 sq.ft. of living area, resulting in a value ratio (price/living area) of \$95. These homes are expected to commence escrow closings in the early part of 2003.
- Oak Valley Seniors Detached (part of IA # 14A) is expected to have 1,198 single-family detached homes that are priced at some \$148-227,000 (August-2002) for some 1,268-2,062 sq.ft. of living area, resulting in a value ratio (price/living area) of \$113. These homes are expected to commence escrow closings in the mid portion of 2003.
- Oak Valley Seniors Attached (part of IA # 14A) is expected to have 168 single-family attached homes that are priced at some \$120-140,000 for some 1,000-1,200 sq.ft. of living area, resulting in a value ratio (price/living area) of \$118. These homes are expected to commence escrow closings in the mid portion of 2004.

Therefore, of the 1,690 housing units in CFD No. 93-1 BFA Series 2003 A, 1,522 are single-family detached homes and 168 are single-family attached homes that are for seniors (age-restricted). The detached homes are priced from some \$145-230,000, and so they cover the relevant market segments for the City of Beaumont.

For additional information on the product mix characteristics for the forthcoming residential product in CFD No. 93-1 Series 2003 A, please refer to the following graphs.

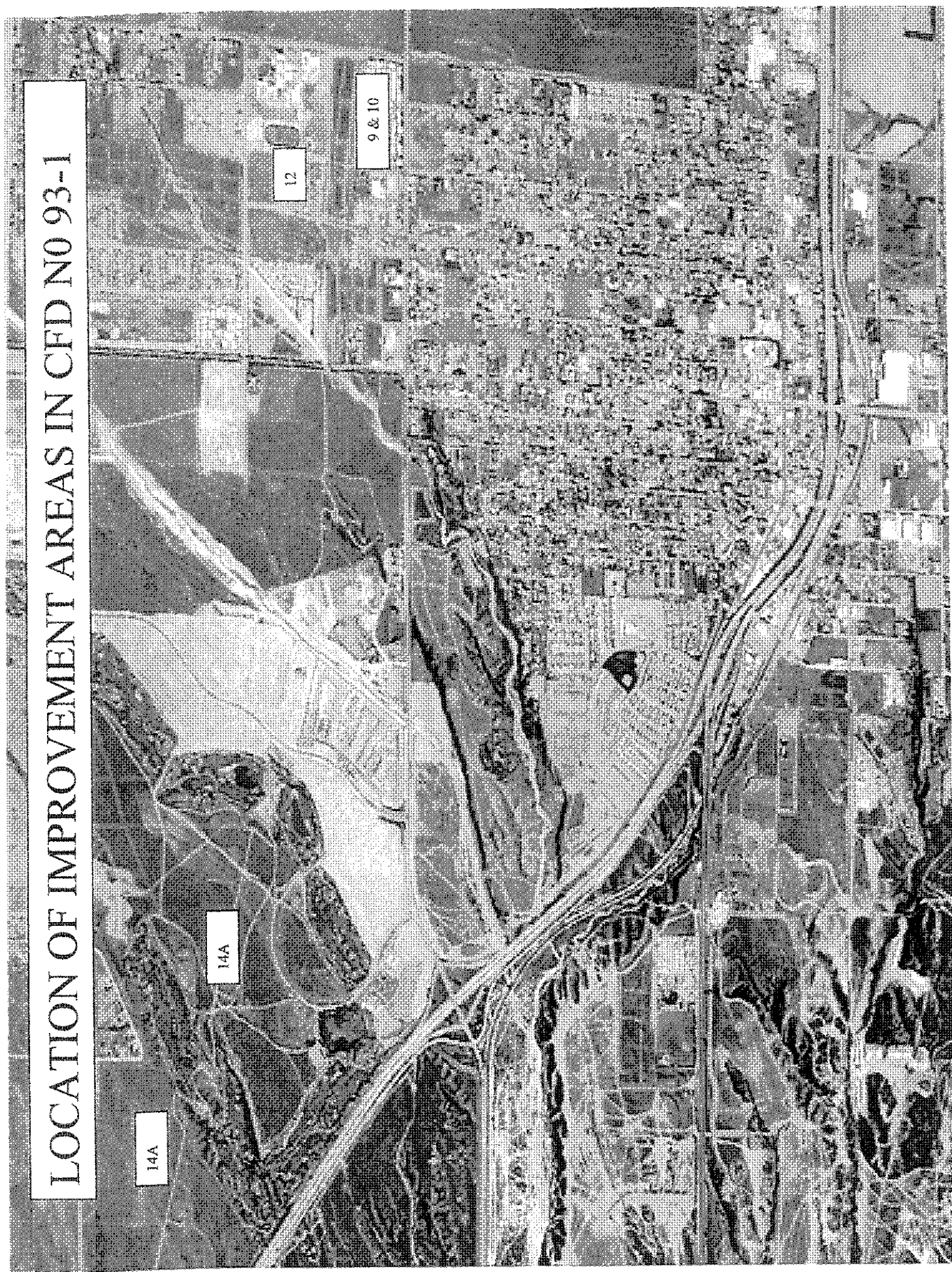
LOCATION OF IMPROVEMENT AREAS IN CFD N0 93-1

14A

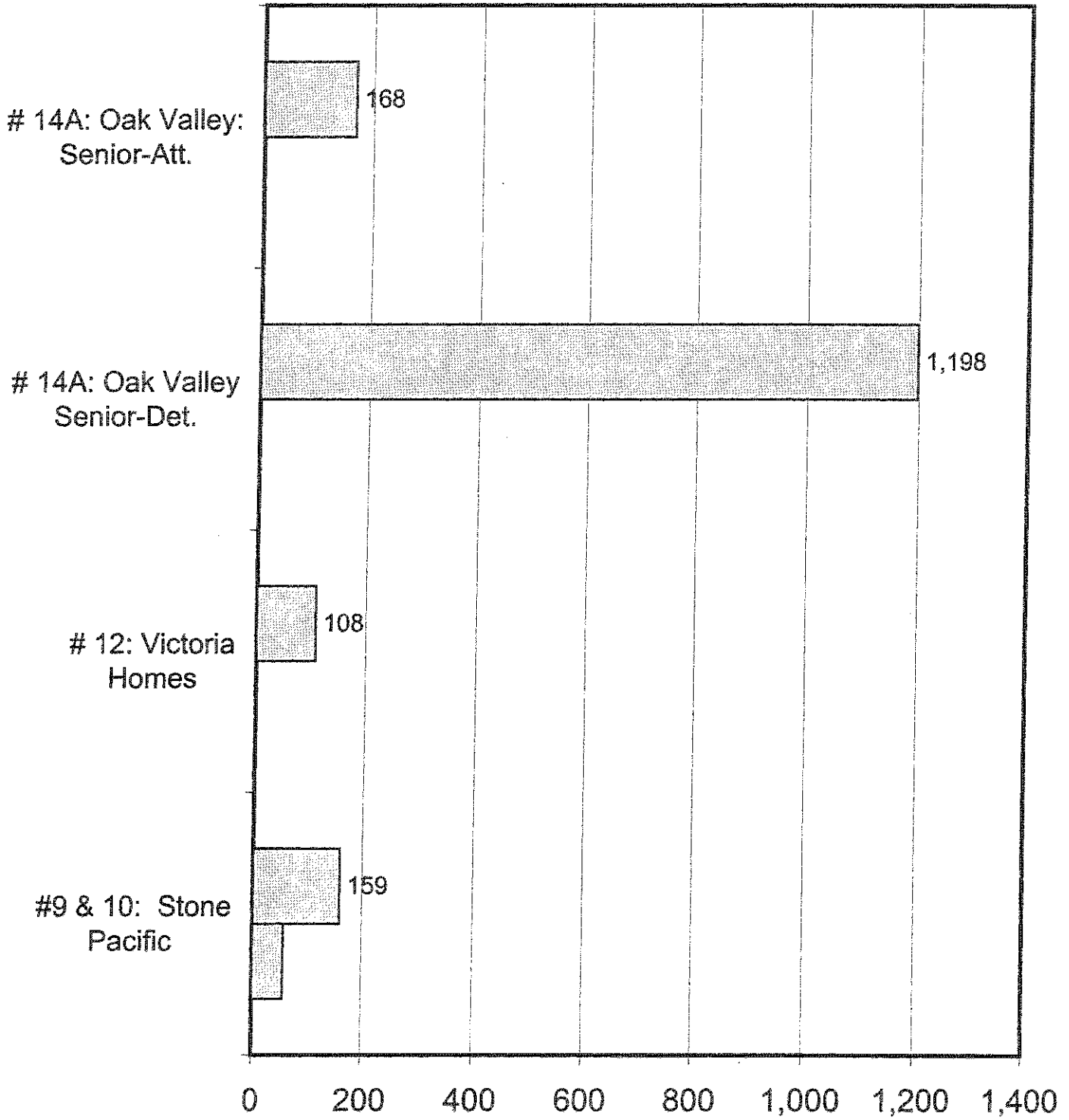
14A

12

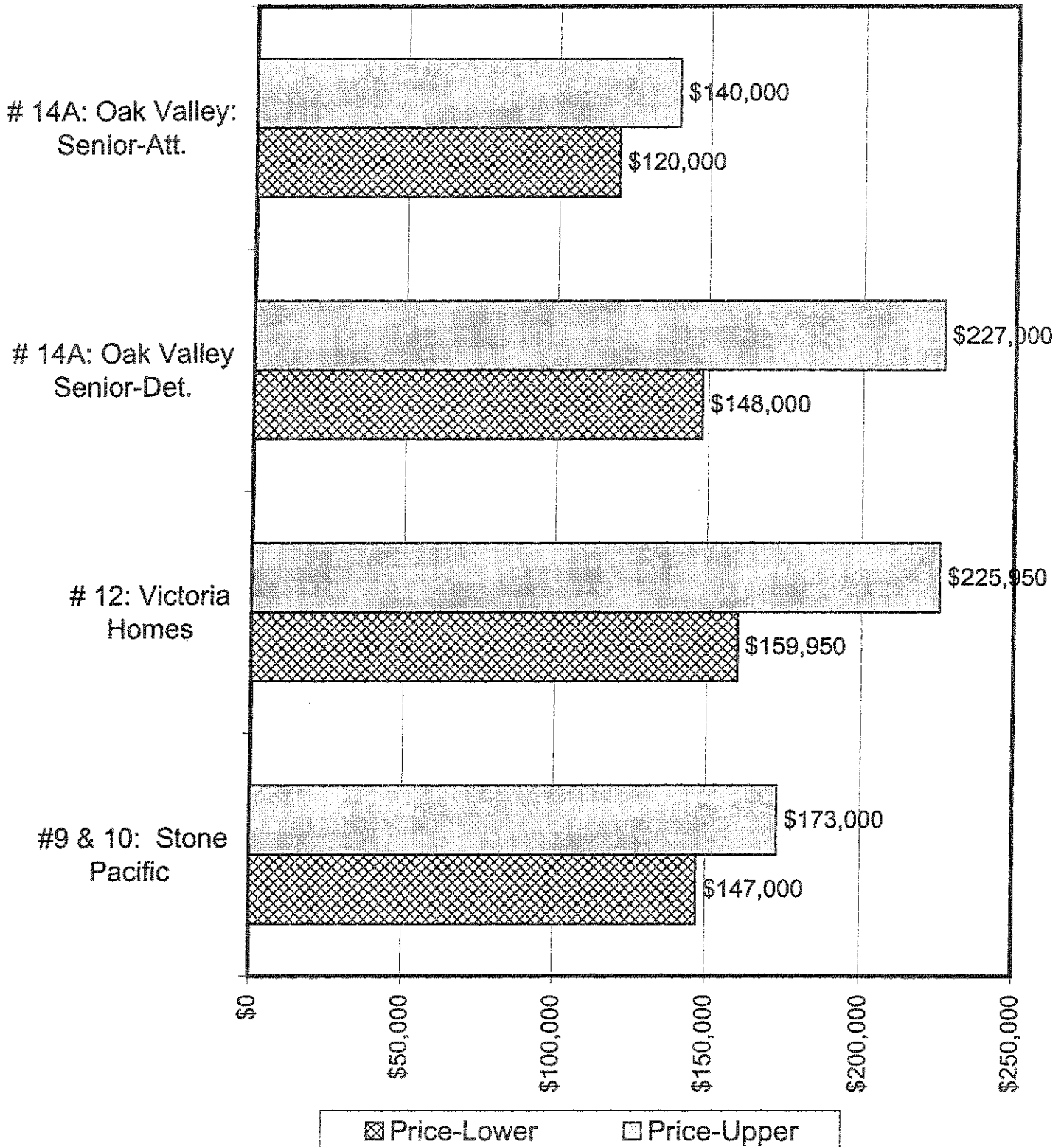
9 & 10



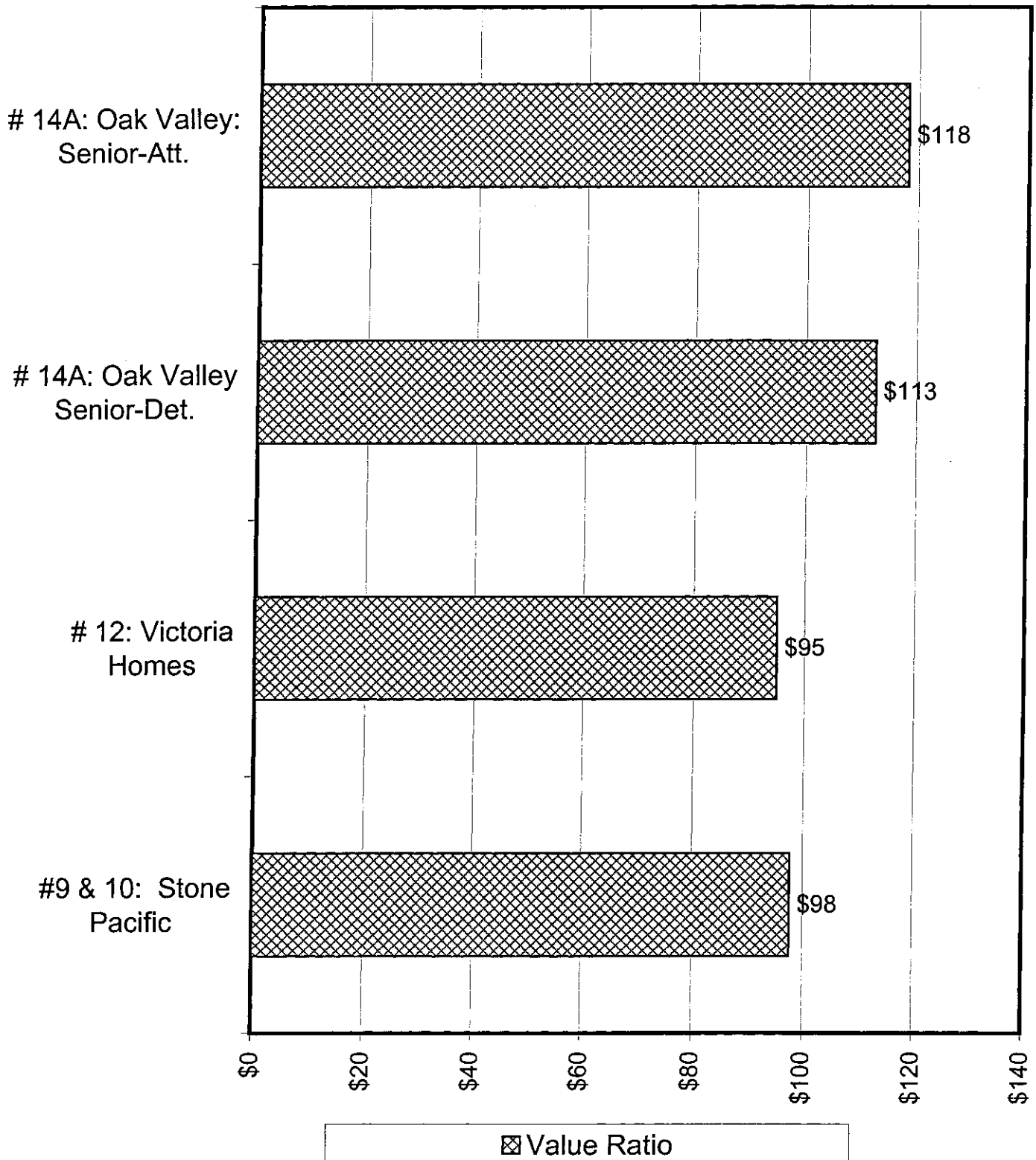
CITY OF BEAUMONT CFD NO. 93-1 BFA SERIES 2003 A
IMPROVEMENT AREAS AND HOUSING UNITS



CITY OF BEAUMONT CFD NO. 93-1 BFA SERIES 2003 A EXPECTED HOUSING PRICES



CITY OF BEAUMONT CFD NO. 93-1 BFA SERIES 2003 A
EXPECTED VALUE RATIOS: PRICE / LIVING AREA



ROLE OF MARKET STUDY IN THE BOND FINANCING

The Market Absorption Study for CFD No.93-1 BFA Series 2003 A has a multiplicity of roles with regards to the Bond Financing; accordingly, these are now discussed.

Marketing Prospects for the District's Products:

The Market Absorption Study provides an estimate of the absorption of the residential single-family detached and attached product types in CFD No.93-1 BFA Series 2003 A, and each of its Improvement Areas, through a consideration of the expected demand for each of these products in the Market Area, as a whole, along with the competitiveness or capture rate for each of CFD No.93-1 BFA Series 2003 A's products in the marketplace, in particular.

Special Tax Payment Analysis:

➤ Aggregate Amount of Special Tax Revenues and Debt Service:

The amount of Special Tax Revenues generated by the properties in the District is derived by using the aggregate number of residential units, along with their Special Taxes per unit. These Revenues determine the amount of the Annual Debt Service Payments that the District can accommodate, and hence the size of the Bond Issue that can be supported by CFD No.93-1 BFA Series 2003 A.

➤ Special Tax Revenues by Product Types:

The combined Ad Valorem Property Tax and Special Tax burden for the residential products is expected to amount to less than 2.0% of their respective market values for the non age-restricted homes and some 1.5% for the age-restricted products. Accordingly, a component of this analysis is the expected prices/values for the various types of residential products in CFD No.93-1 BFA Series 2003 A. Consequently, Empire Economics performs a comprehensive analysis of the comparable projects in the marketplace, in order to evaluate the prices for the forthcoming products.

➤ Relative Shares of Special Tax Payments:

The Special Tax Payments required to meet the Annual Debt Service are paid by the developers or builders (for undeveloped property or unsold homes) and also by the final users/homeowners (on the fully improved/occupied properties); the proportionate shares of their payments vary on a year/year basis. The absorption schedules can be utilized to estimate the amount of the Special Tax Payments that are likely to be paid by the developers/builders: the longer the absorption time period, the greater their share of the Special Tax Payments.

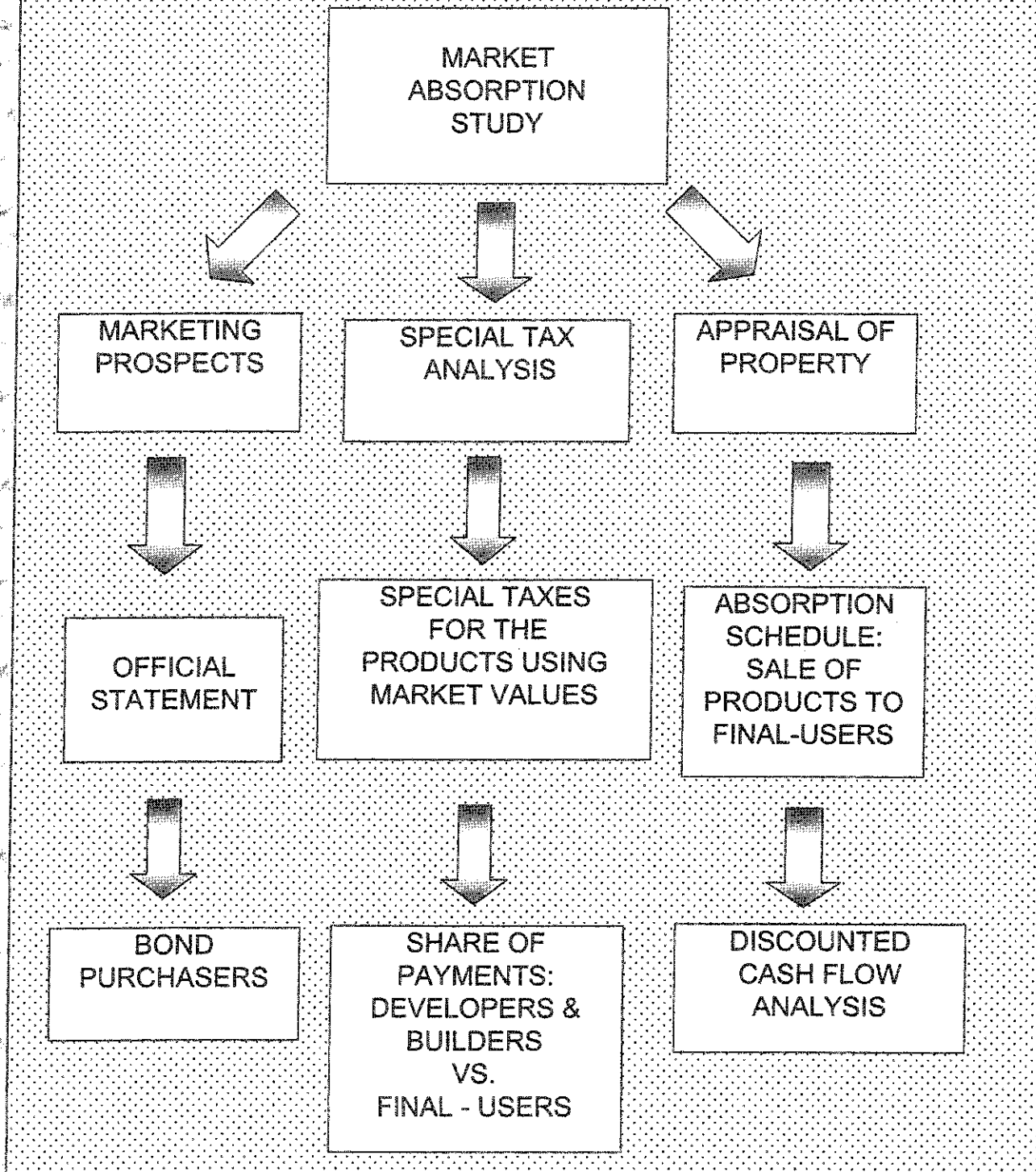
Appraised Value - Discounted Cash-Flow:

The Appraiser considers the absorption schedules as part of the Discounted Cash Flow Analysis which provides an estimate of the present value of the property to be developed in CFD No.93-1 BFA Series 2003 A; this reflects the security/collateral underlying the Bond Issue. The absorption schedules represent a critical component of the Appraisal: the longer the absorption time, the less the Discounted Value, as compared to the undiscounted Retail Value.

Structuring the Bond Issue:

The Issuing Agency for the Bond Issue, the City of Beaumont, along with the Financial Advisor and the Underwriter utilize the Market Absorption Study, Appraisal, and Special Tax Revenue to structure the Bond Issue for CFD No.93-1 BFA Series 2003 A.

**ROLE OF THE MARKET ABSORPTION STUDY
CITY OF BEAUMONT BFA SERIES 2003 A**



RECENT AND NEAR-TERM ECONOMIC CONDITIONS FOR THE US, CALIFORNIA AND SOUTHERN CALIFORNIA ECONOMIES

The US economy's longest post WW II expansion ended during the latter portion of 2001, after 40 quarters (10 years) the growth in real Gross Domestic Product (GDP) that amounted to some 40% (1.00%/qtr). By comparison, the other major Post WW II expansions were as follows: The Kennedy Johnson expansion had a span of 34 quarters during which real GDP grew by a total of 49% (1.44%/qtr). While the Reagan expansion had a span of 30 quarters over which real GDP grew by 35% (1.17%/qtr).

The current expansion faltered during the latter portion of 2001 due to the following factors: diminishing levels of corporate profits, lower stock market values which adversely impact both business (difficulty of raising capital) as well as consumers, and the Sept.-11 terrorist attacks along with their subsequent ramifications.

The Most Probable Economic Scenario is based upon the Federal Reserve Board (FRB) controlling interest rates in such a manner to countervail the adverse factors mentioned, thereby minimizing the duration and depth of the economic slowdown or recession (two successive quarterly negative changes in employment).

The US economy has recently experienced a moderate recession with regards to employment. During the 4th-2001 to 3rd-2002 time period, employment declined each quarter, for an overall average loss of some -0.95% on the average (just below 1.0%). Then, starting in the 4th-2002, the US economy is expected to enter its recovery phase, based upon actions taken by the Federal Reserve Board as well as substantially higher levels of government expenditures, thereby generating with moderate rates of growth by the early portion of 2003.

California is expected to perform at a stronger level than the US economy, since it experienced a deeper recession in the early 1990s, and underwent a more significant re-structuring. The CA economy experienced employment losses during 1st-2002 to 3rd-2002, with employment declining by some -0.29% on the average. The CA economy is expected to enter its recovery phase in the 4th-2002, with moderate rates of employment growth in 2003.

Therefore a comparison of the rates of employment growth rates for the US and CA economies reveals that the CA economy has performed better than the US economy during 4th-2001 to 3rd-2002; this represents a continuation of a pattern that began in 1996, when CA emerged from a major recession in the early 1990s.

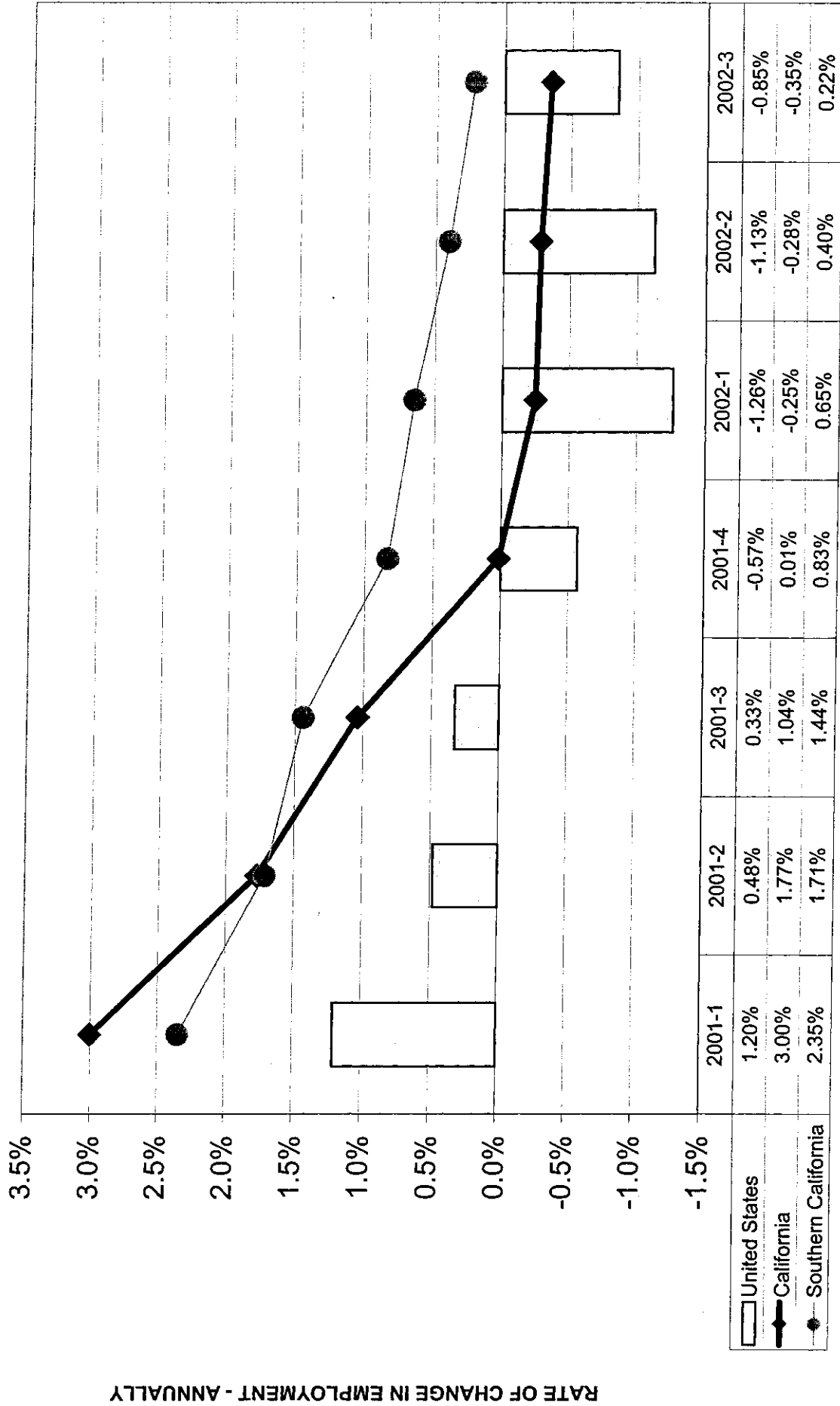
By comparison, the SC economy experienced employment gains during 4th-2001 to 3rd-2002, with employment increasing by some 0.52%, on the average. The rates of employment growth for the various SC-Counties generally declined during the 4th-2001 to 3rd-2002 time period; however, employment growth remained positive throughout this time period, and so SC, as a whole, has not experienced any employment losses, thereby avoiding an economic recession.

Within the SC economy, there have been some differences in the performance of the various counties, with most of the counties experiencing employment gains except for Los Angeles County which encountered significant losses. Accordingly, the recent rates of employment growth for each of the SC-Counties during June 2001 to August 2002 have been as follows:

Riverside-San Bernardino Counties:	+26,000
Orange County:	-1,500
San Diego County:	+20,300
Los Angeles County:	-28,400
Ventura County:	+2,000

The Most Probable Economic Scenario for Southern California (SC) economy is that it is expected to outperform California economy for the following reasons: First, SC is less reliant on the "new economy" jobs than the San Francisco Area, and so the potential impacts of the recent stock market declines are not expected to have as much of an impact. Secondly, SC is expected to benefit from higher level of defense spending, including federal allocations prior to Sept.-11 as well as additional expenditures as a result of the Sept.-11 events.

RECENT/EXPECTED EMPLOYMENT TRENDS: UNITED STATES, CALIFORNIA AND SOUTHERN CALIFORNIA



RECENT ECONOMIC AND CONSTRUCTION ACTIVITY TRENDS/PATTERNS IN RIVERSIDE COUNTY

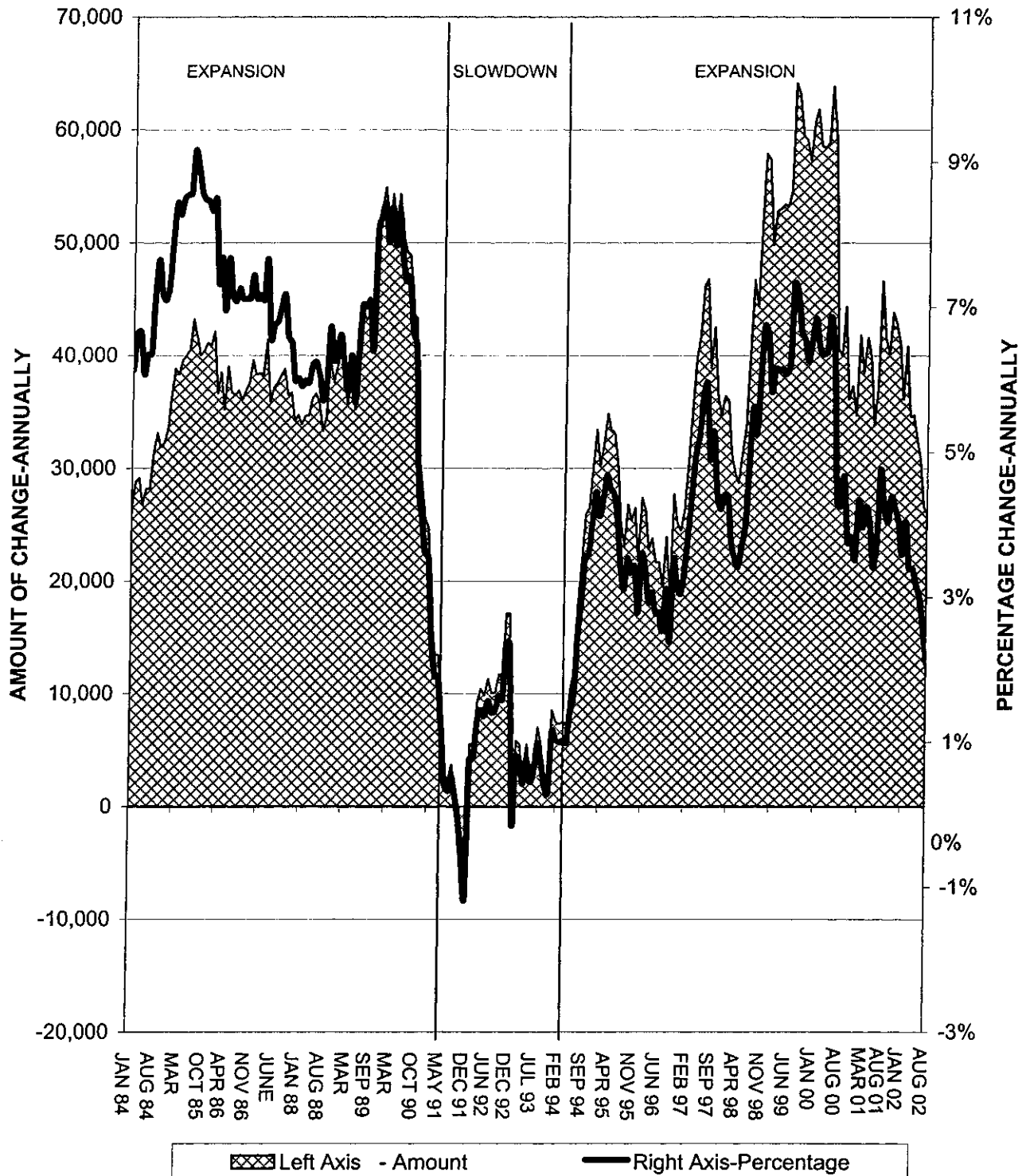
The recent employment and construction activity trends for Riverside County are now presented, in order to provide a background on the current economic and real estate conditions within the county, in particular.

The primary determinant underlying construction activity is employment growth, since this generates a demand for additional industrial and office buildings as well as new housing units and also commercial-retail centers. Accordingly, this is now discussed in order to provide a background for understanding the recent construction activity trends in Riverside County.

- Riverside County's and San Bernardino County's employment growth was very strong during the 1984 to late 1990 time period, with annual increases of some 38,667 jobs per year for growth rates of some 7.07% per year, on the average. However, an economic slowdown from late 1990 to mid 1993 resulted in lower employment growth, of some 7,952 new jobs per year, for a growth rate of some 1.11% per year. The economic recovery started in late 1993 and has continued through August 2002, with employment growth increasing by some 35,401 per year, for a growth rate of some 4.10% per year, on the average.
- With respect to the construction of new housing units, Riverside County experienced very high levels of activity during 1987-1990, when new housing units attained levels of 5,211 single-family and 1,190 multiple-family units/qtr. However, the economic slowdown during 1991-1993 resulted in activity declining to some 1,802 single-family and 290 multiple-family units per quarter. Since late 1993, and continuing through 2nd-2002, the levels of new single-family units have increased, to some 2,744 per quarter, and so they are still approaching the levels of the prior economic expansion. While multiple-family units have not recovered, attaining levels of only some 385 per quarter.
- With respect to the construction of industrial, office and retail buildings, Riverside County also experienced very high levels of activity during 1987-1990, when the valuations were typically some \$101.5 million per quarter. However, the economic slowdown during 1991-1993 resulted in the valuations declining to some \$60 million per quarter. Since late 1993, and continuing through 2nd-2002, valuations have only partially recovered, attaining levels of some \$65 million per quarter.

Therefore, the recovery of Riverside County's economy has resulted in strong levels of employment growth since 1993, and this has enabled the single-family and retail sectors to establish their recoveries. But the lingering effects of high vacancy rates in the various real estate sectors, resulting from the very high levels of construction activity in the latter 1980s in conjunction with the decrease in demand in the early 1990s as a result of the economic slowdown, have resulted in a sluggish recovery for the industrial, multiple-family and commercial-office sectors. However, continued employment growth, along with recent declines in vacancy rates, should generate higher levels of construction activity in these real estate markets during the foreseeable future.

RECENT EMPLOYMENT TRENDS IN RIVERSIDE/SAN BERNARDINO COUNTIES



COMPETITIVENESS OF CFD NO.93-1 BFA SERIES 2003 A FROM A REGIONAL PERSPECTIVE

From a regional perspective, the competitiveness of BFA Series 2003 A's active/forthcoming residential products is influenced by the development patterns for employment and housing within the Southern California Market Region (MR), and their interrelationships with the BFA Series 2003 A Market Area (MA). Specifically, Business Parks generate business-office development while Planned Communities generate residential development; additionally, the flow of traffic between them is facilitated by freeways.

➤ **Expansion of Employment Centers and Business Parks**

The currently established major employment centers are Orange, San Diego and Los Angeles (OC/SD/LA) counties as well as the western portions of Riverside (R) and San Bernardino (SB) counties. Furthermore, there has been some expansion from these into various Business Parks located in the central portion of SB County, including the cities of Fontana, Rialto, San Bernardino, Loma Linda and Redlands. Specifically, the recent growth of these Business Parks can be attributed to their proximity to western San Bernardino County as well as their locations along Routes 10/60.

- * The completion of the Foothill Freeway (Route 210) into the City of Fontana is expected to facilitate the expansion of the employment centers from LA into SB County. While the completion of the Eastern Transportation Corridor (Route 241) into western Riverside County is expected to facilitate the expansion of Business Parks further into Riverside County. As the expansion proceeds further into San Bernardino and Riverside counties, it will eventually benefit the projects in BFA Series 2003 A MA, since Routes 10 and 60 eventually merge in the City of Beaumont.

➤ **Commuting Patterns: Employment Centers to Residential Areas**

Some of the households employed in the OC/SD/LA and western R/SB employment centers purchase housing in projects that are located further to the east, since these projects, as a result of lower land values, offer more affordably priced entry-level housing. Specifically, these commuting patterns are based upon the freeways that link the employment centers to the housing projects.

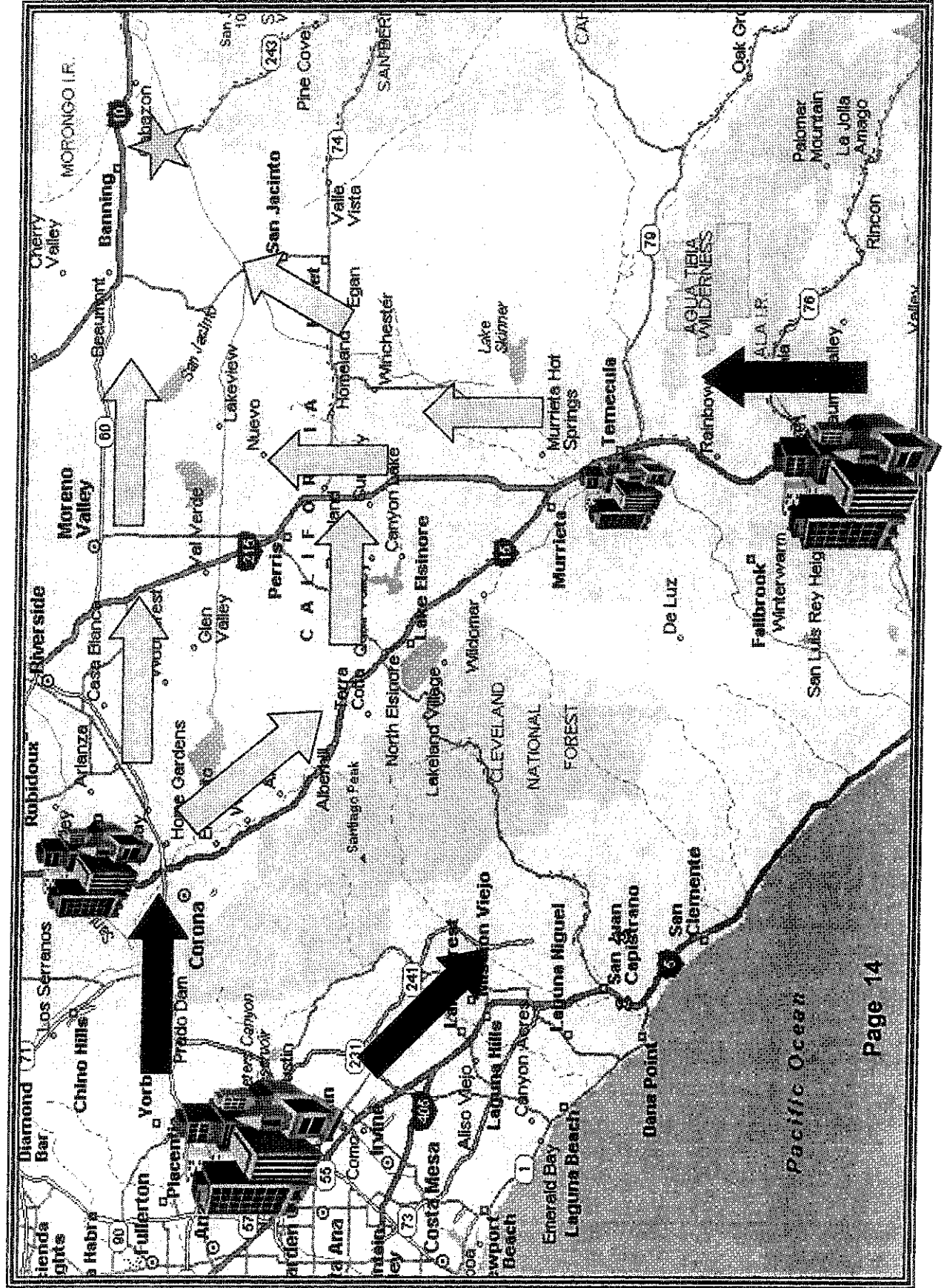
- * The continuing expansion of the employment centers into R/SB counties result in residential projects in the BFA Series 2003 A MA becoming more competitive in the marketplace, as the distance between the employment centers and the MA continues to diminish. With respect to commuting to the BFA Series 2003 A MA, in particular, this is based upon the use of Routes 10 and 60, major freeways that link the employment centers to the BFA Series 2003 A MA.

Therefore, from a regional perspective, the existing transportation system is regarded as being generally favorable for the future development of Business Parks (BP) and Planned Communities (PC) in the BFA Series 2003 A MA, since employment and housing growth are moving in an easterly direction along Routes 10 and 60, and these merge in the City of Beaumont. The development trend is expected to impact PC first, since commuters are willing to travel additional distances along freeways for lower-priced housing. While for BP, in general, development prospects will require additional time, since new business tend to locate in the vicinity of existing employment centers. However, an exception to this may be for specialized business users that can strategically utilize the Route 10/60 portal into Southern California.

From a regional perspective, the competitiveness of BFA Series 2003 A is influenced by the development patterns for housing and employment within western and central Riverside County (RC) as well as Orange County (OC) and San Bernardino County (SBC). Specifically, Business Parks generate industrial-office development while Planned Communities generate residential development; additionally, the flow of traffic between them is facilitated by the freeways and other transportation

ECONOMIC BASES SUPPORTING DEVELOPMENT FOR CFD NO.93-1

RESIDENTIAL DEVELOPMENT PATTERNS: 1997-2000 AND 2001-2010+



RECENT HOUSING SALES AND PRICES TRENDS IN THE CFD NO.93-1 BFA SERIES 2003 A MARKET AREA

The recent trends for the sales and prices of existing (resale) homes in the CFD No.93-1 BFA Series 2003 A Market Area, the Beaumont-Banning Area, during 1988-2001 time period are now discussed.

The recent sales of existing homes in the Market Area exhibited the following pattern:

- A prior peak level of activity occurred during 1989, when housing sales amounted to some 951 units.
- During the economic recession of the early-mid 1990's, sales of homes declined to some 543 units in 1995, a decrease of some 43% from the 1989 peak level.
- With the economic recovery starting in 1996, housing sales rose, attaining a peak level of some 1,027 units in 2001, above the prior peak level that occurred in 1989.

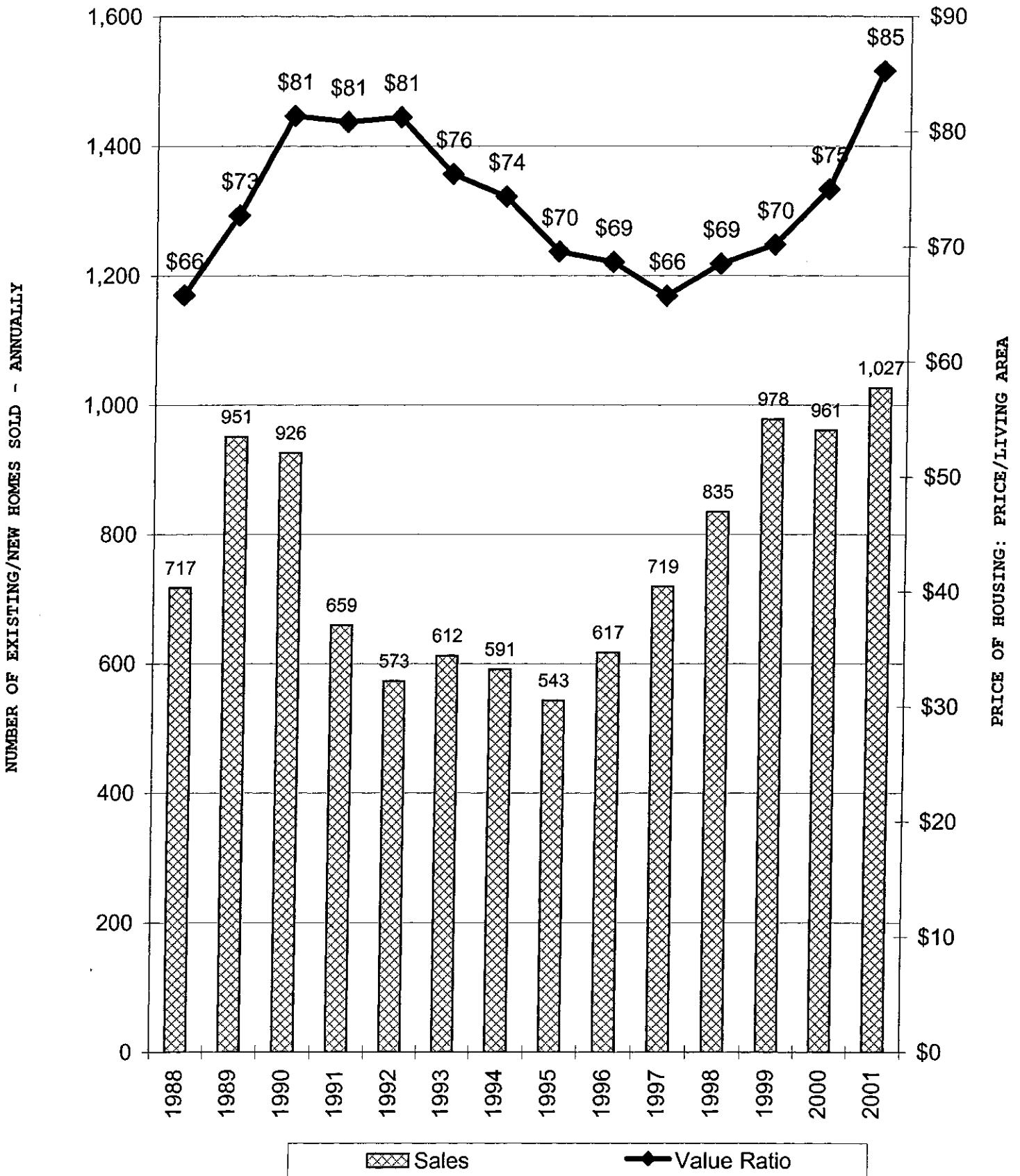
The recent housing price trends for existing homes in the CFD No.93-1 BFA Series 2003 A Market Area are analyzed utilizing both the prices of homes as well as their value ratios (price/living area). The changes in their value ratios are regarded as being more accurate indicators of housing price trends since they reflect "real" price ranges, rather than price changes resulting from variations in the sizes of their living areas.

- Housing prices decreased from a peak level of some \$106,557 in 1992 to a low of \$84,588 in 1997, a decline of some -21%, due to the economic recession. Then, with the economic recovery and subsequent economic expansion, prices then rose to a record level of some \$117,029 in 2001, some 11% above their prior peak.
- With respect to the value ratios, the price per sq.ft. of living area, it declined from a peak level of \$81 in 1990 to a low of some \$66 in 1997, a total decrease of -19%. However, starting in 1998, value ratios increased, reaching a record level of some \$85 in 2001, surpassing their prior peak by some 4%.

Therefore, the Market Area has recently experienced strong levels of housing sales and record levels of housing prices, as measured by both nominal prices as well as value ratios. So, the market for resale housing in the CFD No.93-1 BFA Series 2003 A Market Area has established a bona-fide recovery.

For additional information on housing sales and prices in the CFD No.93-1 BFA Series 2003 A Market Area, please refer to the following graph.

MARKET CONDITIONS FOR EXISTING HOMES **CFD NO. 93-1 BFA SERIES 2003 A MARKET AREA**



CHARACTERISTICS OF THE CURRENTLY ACTIVE PROJECTS IN THE CFD NO. 93-1 BFA SERIES 2003 A COMPETITIVE HOUSING MARKET AREA

The characteristics of the currently active projects in CFD No.93-1BFA Series 2003 A Competitive Housing Market Area, the cities of Beaumont and Banning as well projects in their vicinity, are now discussed.

There are presently nine active for-sale projects in the Competitive Housing Market Area that offer non age restricted housing. These projects have some 1,005 housing units; of these, some 433 have closed escrow thus far. So, there are another 572 remaining units, and the sales rate has amounted to some 340 units per year. The prices of the homes amount to some \$179,079 for 1,867 sq.ft. of living area, resulting in a value ratio of \$96, on the average. Eight of the nine projects have Special Taxes/Assessments, and these amount to some \$1,127 per year, for a ratio of 0.61%.

For purpose of the competitive market analysis, the projects have been partitioned into three market segments: \$150-175,000, \$175-200,000 and \$200,000-250,000+; accordingly, the characteristics of the projects in each of these market segments is now discussed.

Market Segment: \$150,000-175,000

Within the Competitive Housing Market Area, there are currently four projects in this market segment, and none of these are in CFD No.93-1 BFA Series 2003 A. The projects in this market segment have some 676 housing units; of these, some 382 have closed escrow thus far. So, there are another 294 units remaining for future sales, and the sales rate for this market segment has amounted to some 180 units per year. The prices of the homes amount to some \$160,925 for 1,669 sq.ft. of living area, resulting in a value ratio of \$97, on the average. Three of these projects have Special Taxes/Assessments of some \$929 per year, for a ratio of 0.56%.

Market Segment: \$175,000-200,000

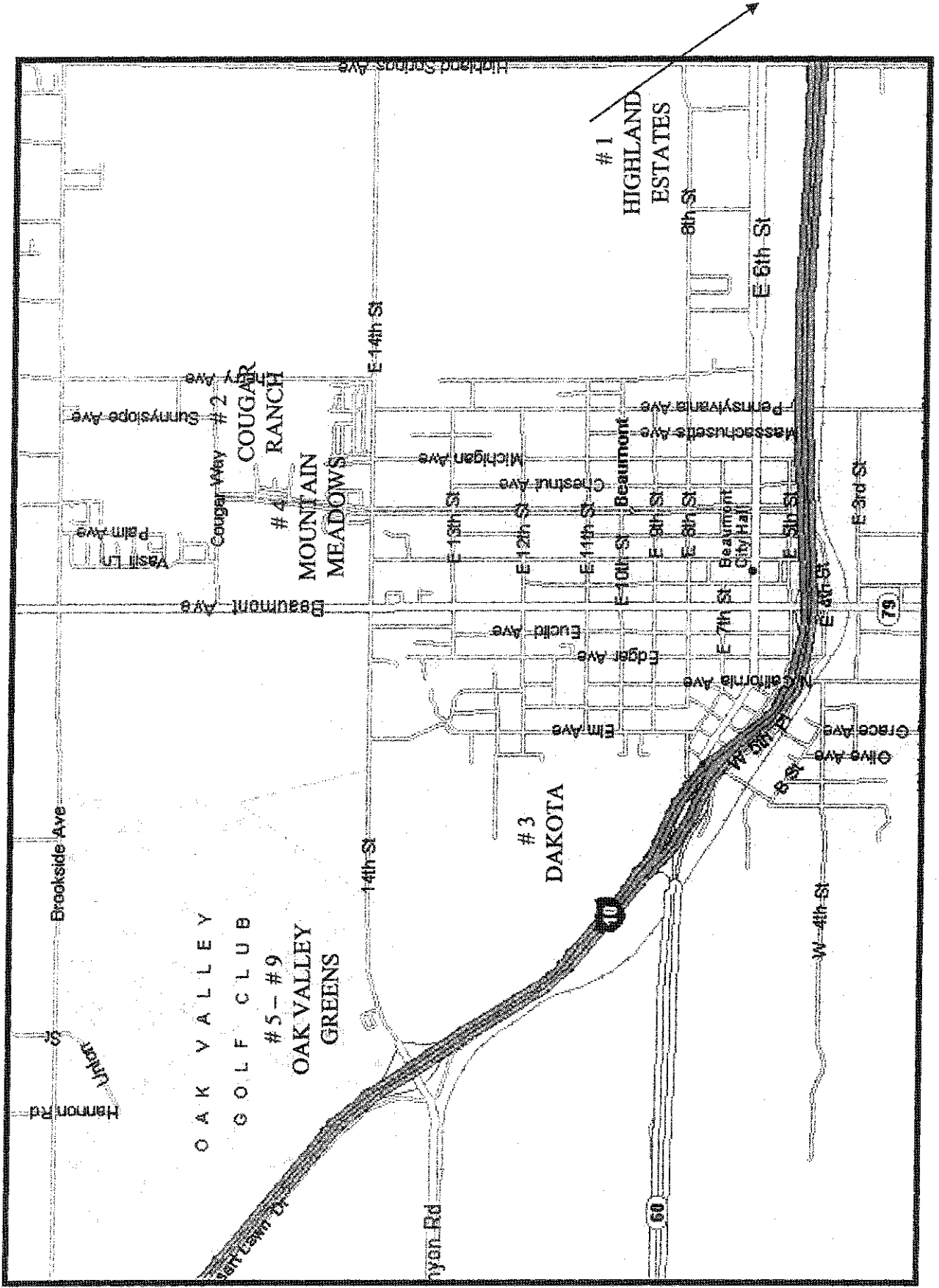
Within the Competitive Housing Market Area, there are currently three projects in this market segment, and all of these are in CFD No.93-1 BFA Series 2003 A, in Improvement Area (IA) # 14B Oak Valley Greens. The projects in this market segment have some 215 housing units; of these, some 42 have closed escrow thus far. So, there are another 173 units remaining for future sales, and the sales rate for this market segment has amounted to some 105 units per year. The prices of the homes amount to some \$184,172 for 1,893 sq.ft. of living area, resulting in a value ratio of \$97, on the average. These projects have Special Taxes/Assessments of some \$1,177 per year, for a ratio of 0.64%.

Market Segment: \$200,000-225,000+

Within the Competitive Housing Market Area, there are currently two projects in this market segment, and all of these are in CFD No.93-1 BFA Series 2003 A, in IA # 14B Oak Valley Greens. The projects in this market segment have some 114 housing units; of these, some 9 have closed escrow thus far. So, there are another 105 units remaining for future sales, and the sales rate for this market segment has amounted to some 55 units per year. The prices of the homes amount to some \$207,750 for 2,227 sq.ft. of living area, resulting in a value ratio of \$93, on the average. These projects have Special Taxes/Assessments of some \$1,350 per year, for a ratio of 0.65%.

For additional information on the projects in the Competitive Housing Market Area by the various market segments, please refer to the following table and graphs.

COMPARABLE ACTIVE NON AGE-RESTRICTED PROJECTS



CHARACTERISTICS OF THE NON AGE-RESTRICTED ACTIVE PROJECTS IN THE COMPETITIVE HOUSING MARKET AREA BY MARKET SEGMENTS

Market Segments	Project Code	Project City/ Location	Project	Builder	Project Size and Sales			Housing Prices			Size of Living Area			Value		Special Assessments/Taxes	
					Total	Escrows Closed	Future	Sales Rate Annually	Lower	Average	Upper	Lower	Average	Upper	Ratio	Amount/ Year	Ratio/ Price
Delach: \$150,000-175,000	1	None	Highland Estates	L.B. DeSilva, LLC	138	106	32	52	\$129,500	\$150,700	\$171,900	1,200	1,551	1,902	\$97		
Delach: \$150,000-175,000	2	None	Cougar Ranch	Stone Pacific Homes	210	58	152	35	\$147,000	\$160,000	\$173,000	1,431	1,744	2,056	\$92	\$852	0.53%
Delach: \$150,000-175,000	3	Three Ring Ranch	Dakota	Osborne Dev.	200	168	32	78	\$149,000	\$162,000	\$175,000	1,250	1,606	1,962	\$101	\$940	0.52%
Delach: \$150,000-175,000	4	Norbeck Grove	Mountain Meadows	Omega Homes II	128	50	78	15	\$143,000	\$171,000	\$199,000	1,326	1,774	2,221	\$96	\$1,095	0.64%
Delach: \$175,000-200,000	5	Oak Valley Greens *	The Reserve	Lennar/Greystone	66	9	57	40	\$159,000	\$176,500	\$195,000	1,190	1,774	2,358	\$99	\$1,140	0.65%
Delach: \$175,000-200,000	6	Oak Valley Greens *	The Homestead	Lennar/Greystone	72	19	53	35	\$169,000	\$186,500	\$205,000	1,377	2,021	2,665	\$92	\$1,165	0.62%
Delach: \$175,000-200,000	7	Oak Valley Greens *	Four Seasons	Osborne Dev.	77	14	63	30	\$169,990	\$189,515	\$210,040	1,466	1,893	2,300	\$101	\$1,225	0.65%
Delach: \$200,000-225,000+	8	Oak Valley Greens *	The Farm	Lennar/Greystone	64	9	55	30	\$171,000	\$200,500	\$230,000	1,362	2,227	3,092	\$90	\$1,300	0.65%
Delach: \$200,000-225,000+	9	Oak Valley Greens *	Fairways	Lennar/Greystone	50	0	50	25	\$165,000	\$215,000	\$245,000	1,362	2,227	3,092	\$97	\$1,400	0.65%
				Lennar/Greystone													
			* Part of CFD No.93-1 BFA Series 2002														
Statistical Summary																	
Delach: \$150,000-175,000					676	382	294	180	\$142,125	\$160,925	\$175,725	1,302	1,669	2,035	\$97	\$929	0.56%
Delach: \$175,000-200,000					215	42	173	105	\$164,997	\$184,172	\$203,347	1,344	1,893	2,441	\$97	\$1,177	0.64%
Delach: \$200,000-225,000+					114	9	105	55	\$173,000	\$207,750	\$237,500	1,362	2,227	3,092	\$93	\$1,360	0.65%
Grand Total					1,005	433	572	340	\$157,721	\$179,079	\$200,438	1,328	1,867	2,405	\$96	\$1,127	0.61%

COMPETITIVENESS ANALYSIS OF SENIOR ORIENTED COMMUNITIES IN THE COUNTY OF RIVERSIDE

The marketability of the forthcoming age-restricted (seniors) residential products in CFD No.93-1 BFA Series 2003 A will be influenced by their competitiveness with respect to other seniors oriented communities throughout Riverside County, since senior households typically have the flexibility of purchasing their “move-down” homes in various locations. Within Riverside County, there are currently seven major Planned Communities (PCs) that offer seniors-oriented age-restricted housing projects, and these are as follows: Sun City in Palm Desert, Trilogy in Glen Ivy Hot Springs, The Oasis in Menifee Valley, Four Seasons in Murrieta, Sun Lakes in Banning, Mountain View in Moreno Valley and Heritage Palms in Indio; all of these but Four Seasons have golf courses. Accordingly, the characteristics of the currently active seniors oriented residential communities in the County of Riverside are now discussed, including their project sizes, living areas, value ratios, and Special Taxes, amongst other factors.

Number of Housing Units

The seven seniors-oriented Planned Communities in Riverside County are expected to have a total of 12,345 housing units at build-out. However, the PCs have a broad range of housing units: from largest to smallest, these are as follows: Sun City (4,900), Sun Lakes (3,211), Trilogy (1,300), The Oasis (1,150), Heritage Palms (1,005), Four Seasons (524) and Mountain View (255). By comparison, Oak Valley Greens is expected to have some 1,600 age-restricted housing units at build-out, and so it is considered to be among the larger sized senior-oriented PCs.

Prices of Housing Units

The currently active projects in the seniors-oriented communities in Riverside County have homes that are priced at some \$242,424, on the average. The PCs with the highest prices are Sun City (\$304,000), Four Seasons (\$294,490) and Trilogy (\$268,990). While the PC that has prices which are close to the average is Heritage Palms (\$244,500). The PCs with the lowest priced homes are The Oasis (\$222,500), Sun Lakes (\$203,500), and Mountain View (\$158,990). By comparison, Oak Valley Greens is expected to have single-family detached housing products priced at some \$187,500, which is below all of the other seniors oriented PCs.

Size of Living Area

The currently active projects in the seniors-oriented communities in Riverside County have homes with some 1,927 sq.ft. of living area, on the average. The PCs with the largest homes are Four Seasons (2,273 sq.ft.) and Sun City (2,158 sq.ft.). While the PC that has living areas which are close to the average is The Oasis (1,875 sq.ft.) and Heritage Palms (1,962 sq.ft.). The PCs with the smallest homes are Sun Lakes (1,799 sq.ft.), Trilogy (1,773 sq.ft.) and Mountain View (1,650 sq.ft.). By comparison, Oak Valley Greens is expected to have detached housing products with living areas of some 1,665 sq.ft., which is significantly below the overall average.

Value Ratios: Prices and Living Areas

The currently active projects in the seniors-oriented communities in Riverside County have value ratios (price divided by the sq.ft. of living area) of some \$125, on the average. The PCs with the highest value ratios are Trilogy (\$152) and Sun City (\$141/sq.ft.). While the PCs that have value ratios which are close to the average are Heritage Palms (\$125/sq.ft.) and Four Seasons (\$130/sq.ft.). The PCs with the lowest value ratios are The Oasis (\$119), Sun Lakes (\$113/sq.ft.) and Mountain View (\$96). By comparison, Oak Valley Greens is expected to have housing products with value ratios of \$113/sq.ft., which is below the overall average.

Special Taxes

The currently active projects in the seniors-oriented communities in Riverside County have Special Taxes that amount to some \$531 per year, on the average, some 0.25% of the housing prices. The PCs with the highest Special Taxes are Mountain View (\$1,248 - 0.78%), Four Seasons (\$822 - 0.28%) and Trilogy (\$770 - 0.29%). The PCs that have Special Taxes which similar to the average are The Oasis (\$655 - 0.29%). Finally, Sun Lakes has very low Special Taxes (\$220 - 0.11%) while Sun City has no Special Taxes. By comparison, Oak Valley Greens is expected to have Special Taxes of \$1,400/yr., some 0.75% of its housing prices.

Sales Rates for Housing Units

The seniors-oriented communities in Riverside County have achieved a sales rate of some 1,055 housing units per year, as a whole, based upon the number of homes sold in each of the PCs along with their respective market-entry times. However, the PCs have a broad range of sales rates which, from highest to lowest, are as follows: Sun City (350/yr.), Sun Lakes (180/yr.), Four Seasons (158/yr.), The Oasis (120/yr.), Trilogy (100/yr.), Heritage palms (95/yr.) and Mountain View (52/yr.).

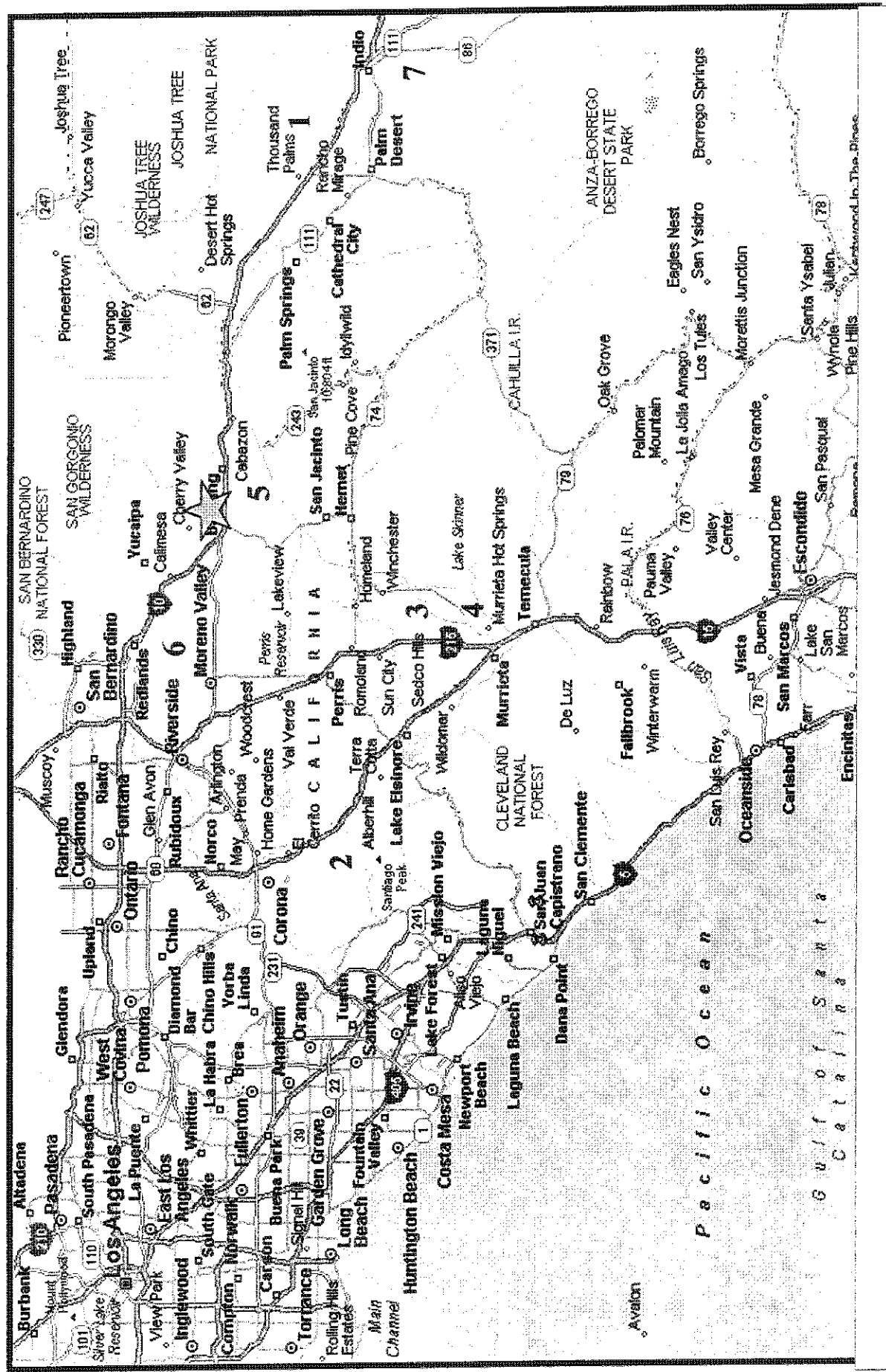
Evaluation of the Prices for Oak Valley Greens

Based upon an analysis of the seniors-oriented communities in Riverside County, Oak Valley Greens is expected to be competitive, based upon its location, prices, sizes of living area and amenities. However, the Special Taxes for Oak Valley Greens are expected to be some 0.75%, and this is significantly higher than the currently active seniors-oriented projects in Riverside County. Based upon an analysis of the sales rates, the strongest selling projects have the lowest levels of Special Taxes. Furthermore, based upon discussions with sales representative, seniors are regarded as being especially sensitive to Special Taxes due to the need for them to live on their retirements incomes.

Empire Economics recommends that the Rate and Method for the Special Taxes for the forthcoming age-restricted residential products in CFD No.93-1 BFA Series 2003 A (Improvement Area 14A: Oak Valley Greens) provide for a buy-down of the Special Taxes in the event that the projects/products in Oak Valley Greens experience relatively slow absorption rates.

For additional information on the seniors-oriented PCs, please, refer to the following map and table.

1 = Sun City 2 = Trilogy 3 = The Oasis 4 = Four Seasons
5 = Sun Lakes 6 = Mountain View 7 = Heritage Palms



CHARACTERISTICS OF THE AGE-RESTRICTED PROJECTS IN RIVERSIDE COUNTY

Project Locations	Project Code	Planned Community	Lot Size (Average)	Builder	Total	Project Size and Sales			Housing Prices			Size of Living Area			Value		Special Assessments/Taxes	
						Escrows Closed	Future	Sales Rate Annually	Lower	Average	Upper	Lower	Average	Upper	Ratio	Price	Amount/ Year	Ratio/ Price
Palm Desert	1	Sun City	6,188	Deft Webb	4,900	3,800	1,100	350	\$140,000	\$304,000	\$468,000	1,080	2,158	3,236	\$141	\$0	\$0	0.00%
Glen Ivy Hot Springs	2	Triborg	4,800	Shea Homes	1,300	94	1,206	100	\$205,990	\$288,990	\$331,990	1,293	1,773	2,253	\$152	\$770	\$770	0.29%
Menifee Valley	3	The Oasis	5,900	Ryland	1,150	393	757	120	\$175,000	\$222,500	\$270,000	1,295	1,875	2,455	\$119	\$855	\$855	0.29%
Murrieta	4	Four Seasons	6,000	K. Hovnanian	524	284	240	158	\$246,590	\$284,490	\$341,990	1,772	2,273	2,773	\$130	\$822	\$822	0.28%
Banning	5	Sun Lanes	5,100	Pulte Homes	3,211	2,873	338	180	\$187,500	\$203,500	\$239,500	1,458	1,799	2,139	\$113	\$220	\$220	0.11%
Mexeno Valley	6	Mountain View	5,000	Ryland	255	74	181	52	\$135,990	\$158,990	\$181,990	1,180	1,650	2,120	\$86	\$1,248	\$1,248	0.78%
Indio	7	Heritage Palms	5,250	US Home	1,005	625	380	95	\$200,000	\$244,500	\$289,000	1,420	1,962	2,504	\$125	\$0	\$0	0.00%
Statistical Summary																		
Grand Total			5,405	7	12,345	8,143	4,202	1,055	\$181,639	\$242,424	\$303,210	1,357	1,927	2,497	\$125	\$631	\$631	0.25%

ESTIMATED ABSORPTION SCHEDULES FOR THE RESIDENTIAL PRODUCTS IN CFD NO.93-1 BFA SERIES 2003 A

The purpose of this section is to estimate the absorption schedules for the active/forthcoming residential products in CFD No.93-1 BFA Series 2003 A, as a whole, and also each of the relevant Improvement Areas, in particular.

- Stone Pacific (IA #9 & # 10) is expected to have 216 single-family detached homes that are priced at some \$147-173,000 for some 1,431-1,845 sq.ft. of living area, resulting in a value ratio (price/living area) of \$98. Thus far, 57 of these homes have been built/occupied, and the remaining 159 are expected to be closed out in 2005 for an absorption rate of some 50 units per year.
- Victoria Homes (IA # 12) is expected to have 108 single-family detached homes on large lots of 10,000+ sq.ft., designed to accommodate RVs, that are priced at some \$160-225,950 for some 1,591-2,470 sq.ft. of living area, resulting in a value ratio (price/living area) of \$95. These homes are expected to commence escrow closings in the early part of 2003, and be closed out in 2005 for an absorption rate of some 36 units per year.
- Oak Valley Seniors Detached (part of IA # 14A) is expected to have 1,198 single-family detached homes that are priced at some \$148-227,000 for some 1,268-2,062 sq.ft. of living area, resulting in a value ratio (price/living area) of \$113. These homes are expected to commence escrow closings in the mid portion of 2003 and be closed out in mid 2011 for an absorption rate of some 150-175 units per year.
- Oak Valley Seniors Attached (part of IA # 14A) is expected to have 168 single-family attached homes that are priced at some \$120-140,000 for some 1,000-1,200 sq.ft. of living area, resulting in a value ratio (price/living area) of \$118. These homes are expected to commence escrow closings in the early part of 2005 and be closed out in mid 2010 for an absorption rate of some 25 units per year.

Therefore, the 1,633 forthcoming housing units in CFD No.93-1 BFA Series 2003 A are expected to be absorbed during 2003-2011 when most of the projects are on the market, for an overall absorption rate of some 194 homes per year, on the average. The rate of absorption starts at 130 homes in 2003, increases to 215 homes in 2004 as more projects enter the marketplace, and attains a peak level of some 239 units during 2005 when all of the projects are on the marketplace. Then, starting in 2006 and continuing thereafter, the rate of absorption declines as the non age-restricted homes are sold-out, resulting in the remaining age-restricted attached homes being closed out in 2011.

Potential Risk Factors

CFD No.93-1 BFA Series 2003 A is located at the development fringe, and so, in the event of an economic slowdown, the demand for housing would be reduced substantially, thereby requiring additional time to market the various residential projects. Furthermore, in the case that such a scenario occurs, the various developers/builders in the CFD would experience a significant reduction in their cash flows, and this could impair their ability of make their Special Taxes on a timely basis. Accordingly, prospective bond purchasers should take this risk factors into consideration.

With respect to the Oak Valley Greens age-restricted products, they are considered to be competitive in the marketplace with respect to their prices, living area and amenities/features; however, their relatively high Special Taxes (as compared to other seniors communities) are regarded as being a potential impediment to achieving a reasonable level of marketability. Although the Rate and Method provides for a special buy-down of the Special Taxes by the developer/builders, there is no assurance that the developer/builders will have sufficient amount of cash reserves to fund such a buy-down. Accordingly, prospective bond purchasers should also take this risk factors into consideration.

For additional information on the estimated absorption schedules for the residential projects/products in CFD No.93-1 BFA Series 2003 A, please refer to the following table and graphs.

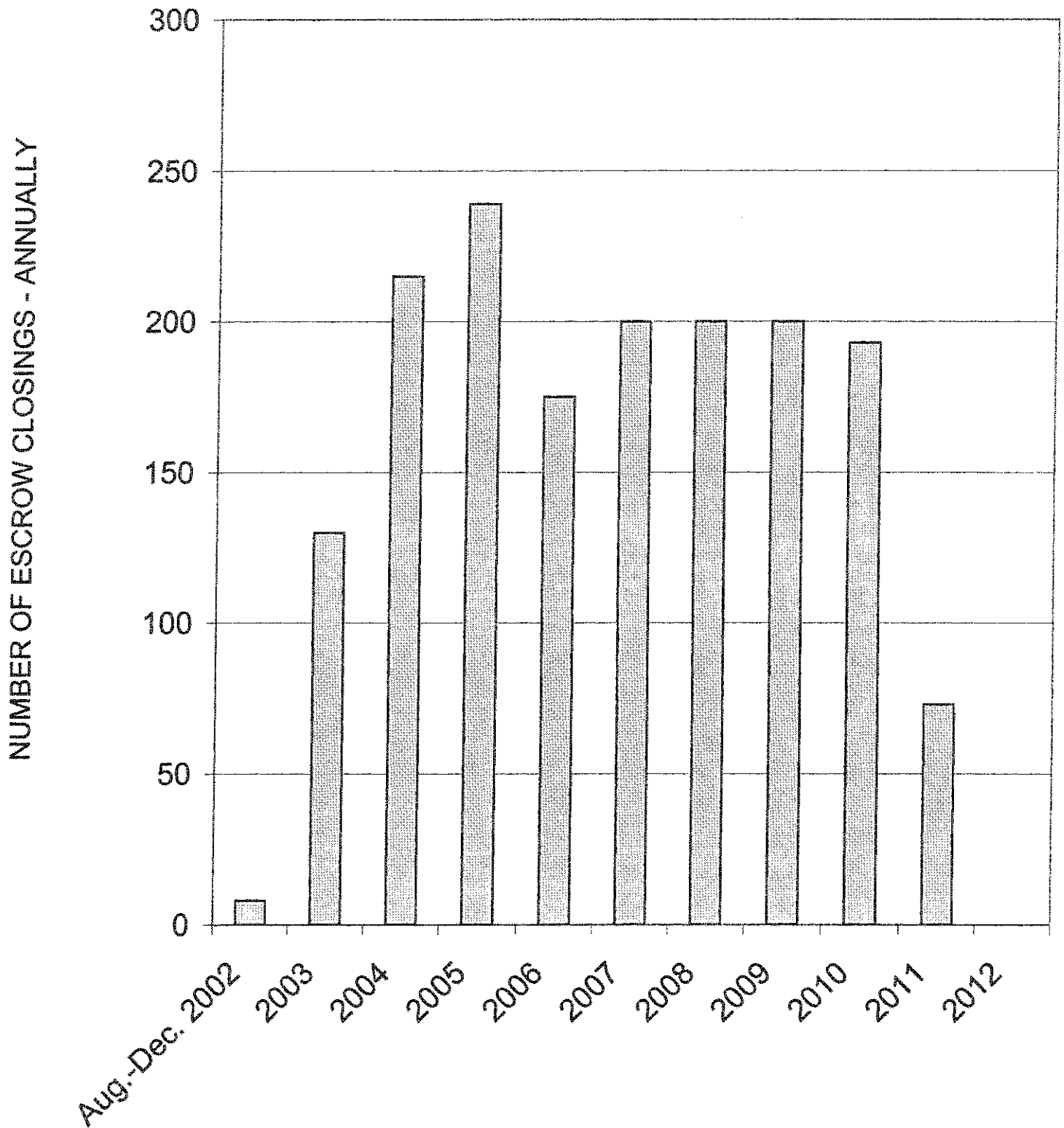
ESTIMATED ABSORPTION SCHEDULES

CITY OF BEAUMONT: CFD NO. 93-1 BFA SERIES 2003 A

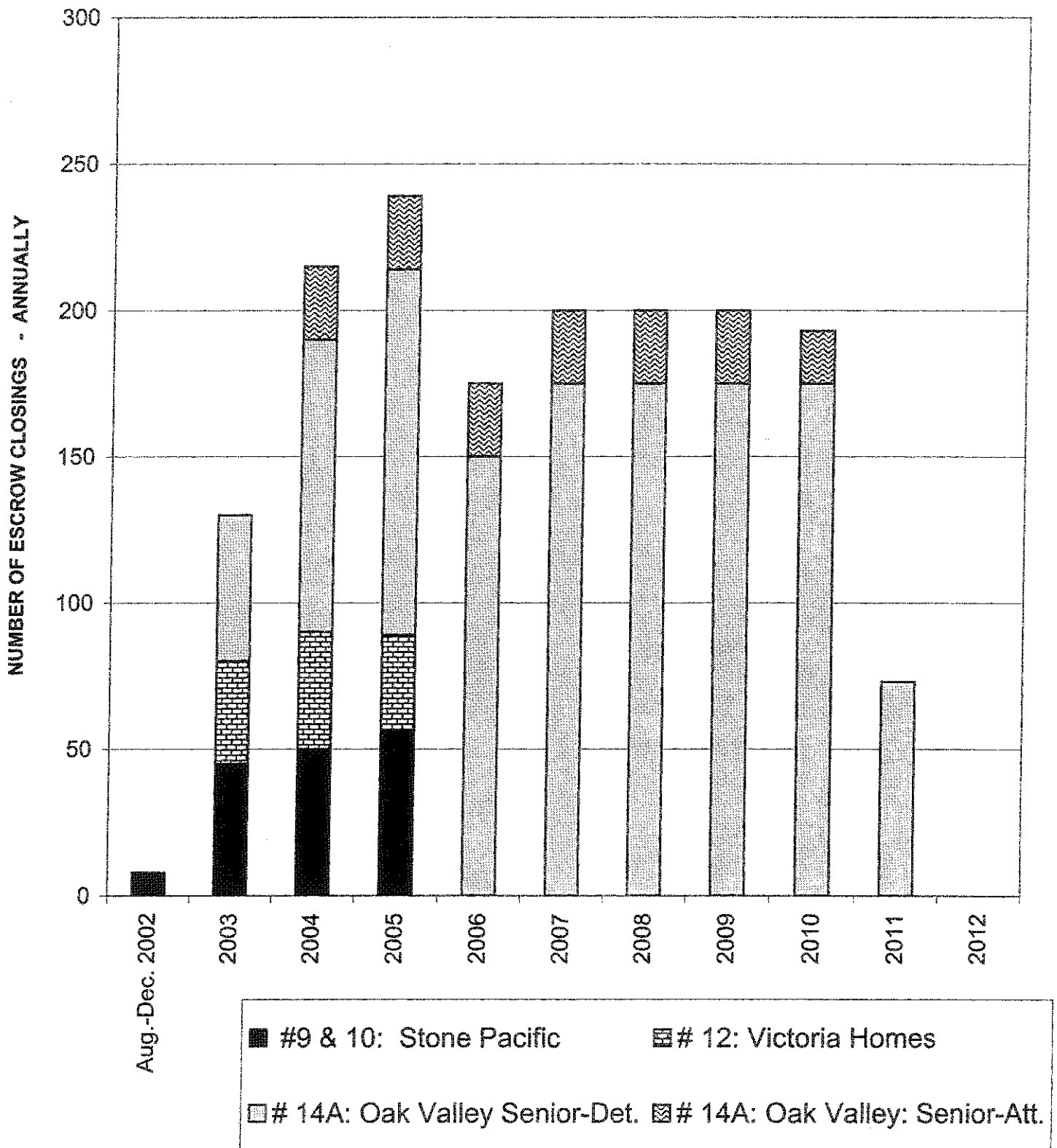
December 19, 2002; Subject to Revision

Improvement Areas >>	# 9 & # 10	# 12	# 14 A	# 14 A	Totals - Residential
	Stone Pacific	Victoria Homes	Oak Valley Greens	Oak Valley Greens	Annually Cumulative
Development Status			Detached	Seniors Attached	
Total	216	108	1,198	188	1,890
Escrows Closed- Aug. 2002	57	0	0	0	57
Forthcoming	159	108	1,198	188	1,890
Share - Forthcoming	9.7%	6.6%	73.4%	10.3%	100.0%
Estimated Move-Ins	2001	Early-2003	Mid-2003	Early-2005	
Number of Projects	1	1	3	2	
	One-Builder	One-Builder	Three-Projects	Two-Projects	
Product Types	4 - Models				
	60 Finished Lots	Room on lots			
	96 Undeveloped	for RVs			
			Note: Recommended Tax Burden 1.5%		
			Developer: 1.75%		
			Rate & Method Allows Buy-Down		
Prices - Estimated: August 2002					
Lower	\$147,000	\$159,950	\$148,000	\$120,000	
Average	\$160,000	\$192,950	\$187,500	\$130,000	
Upper	\$173,000	\$225,950	\$227,000	\$140,000	
Living Area - Estimated					
Lower	1,431	1,591	1,288	1,000	
Average	1,638	2,031	1,665	1,400	
Upper	1,845	2,470	2,082	1,200	
Value Ratio	\$98	\$95	\$113	\$118	
Aug-Dec 2002	8	0	0	0	8
2003	45	35	50	0	130
2004	50	40	100	25	215
2005	56	33	125	25	239
2006	0	0	150	25	175
2007	0	0	175	25	200
2008	0	0	175	25	200
2009	0	0	175	25	200
2010	0	0	175	18	193
2011	0	0	73	0	73
2012	0	0	0	0	0
Totals	159	108	1,198	188	1,890
					194

ESTIMATED RESIDENTIAL ABSORPTION
CITY OF BEAUMONT CFD NO. 93-1 BFA SERIES 2003 A



ESTIMATED RESIDENTIAL ABSORPTION CITY OF BEAUMONT CFD NO. 93-1BFA SERIES 2003 A



ASSUMPTIONS AND LIMITING CONDITIONS

The Market Absorption Study for CFD No.93-1 BFA Series 2003 A is based upon various assumptions and limiting conditions; accordingly, these are as follows:

Title to Property
Property Boundaries
Accuracy of Information from Others
Date of Study
Hidden or Unapparent Conditions
Opinions of a Legal/Specialized Nature
Right of Publication of Report
Soil and Geological Studies
Earthquakes and Seismic Hazards
Testimony or Court Attendance
Maps and Exhibits
Environmental and Other Regulations
Land-Use Regulations and Restrictions
Required Permits and Other Governmental Authority
Liability of Market Analyst
Presence and Impact of Hazardous Material
Structural Deficiencies of Improvements
Presence of Asbestos
Acreage of Property
Designated Economic Scenario
Provision of the Infrastructure
Developer/Builders Responsiveness to Market Conditions
Financial Strength of the Project Developer/Builders
Market Absorption Study Timeliness of Results

For additional information on the various assumptions and limiting conditions, please refer to the comprehensive Market Study.

APPENDIX D
APPRAISAL REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPRAISAL REPORT

**CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
SERIES 2002 B Bonds**

Prepared for:

CITY OF BEAUMONT
550 East Sixth Street
Beaumont, CA 92223

James B. Harris, MAI
Berri J. Cannon
Harris Realty Appraisal
5100 Birch Street, Suite 200
Newport Beach, CA 92660

November 2002

[THIS PAGE INTENTIONALLY LEFT BLANK]

Harris Realty Appraisal

5100 Birch Street, Suite 200
Newport Beach, California 92620
949-851-1227 FAX 949-851-2055

November 5, 2002

Mr. Dave Dillon
Director of Economic Development
550 East Sixth Street
Beaumont, CA 92223

Re: ***Community Facilities District No. 93-1; Series 2002 B Bonds***

Dear Mr. Dillon:

In response to your authorization, we have prepared a self-contained appraisal report that addresses all of the participating properties within the boundaries of Community Facilities District (CFD) No. 93-1, Series 2002 B Bonds in the City of Beaumont. The property within the District includes 57 developed and sold homes as of November 1, 2002, 4 improved model homes and land in various stages of site construction, although predominately raw land. The District is comprised of five Improvement Areas. Each Improvement Area (I. A.), in general, is owned by a merchant builder. I. A. 9 also includes 57 individual homeowners. The appraisal report will value the "As Is" condition of all the land and improvements within the District, as of November 1, 2002. This appraisal includes an estimate of Market Value of all the developed and undeveloped land subject to the special tax.

According to the specific guidelines of the California Debt and Investment Advisory Commission (CDIAC), each ownership is valued in bulk, representing a discounted value to that ownership as of the date of value. When a particular ownership of land represents a merchant builder parcel, no further discounting is considered warranted. The aggregate value of the various ownerships, including 57 sold homes represents Market Value of the District.

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinion of Market Value is formed as of November 1, 2002.

FIFTY-EIGHT MILLION ONE HUNDRED SEVENTY THOUSAND DOLLARS

\$58,170,000

Mr. Dave Dillon
November 5, 2002
Page Two

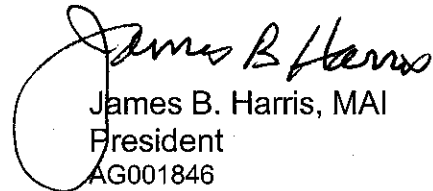
The self-contained full narrative report that follows sets forth the results of the data and analyses upon which our opinion of value is, in part, predicated. This report has been prepared for the City of Beaumont for use in the sale of Community Facilities District bonds. The intended users of this report are the City of Beaumont, its Underwriter, Legal Counsel, Consultants, and potential bond investors. This appraisal has been prepared in accordance with and is subject to the requirements of The Appraisal Standards for land secured financing as published by the California Debt and Investment Advisory Commission; the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation; and the *Code of Professional Ethics* and the *Standards of Professional Appraisal Practice* of the Appraisal Institute.

We meet the requirements of the Competency Provision of the *Uniform Standards of Professional Practice*. A statement of our qualifications appears in the Addenda.

Respectfully submitted,



Berri J. Cannon
Vice President
AG009147



James B. Harris, MAI
President
AG001846

SUMMARY OF FACTS AND CONCLUSIONS

EFFECTIVE DATE OF APPRAISAL	November 1, 2002
DATE OF REPORT	November 5, 2002
INTEREST APPRAISED	Fee Simple Estate, subject to special tax liens
LEGAL DESCRIPTION AND OWNERSHIP	<p>The subject of this appraisal includes all of the participating projects within CFD No. 93-1, Series 2002-B. The projects are located in the City of Beaumont and are described as:</p> <p>I. A. 9 – Cougar Ranch, LLC & 57 Homeowners APNs 406-111-001 thru 045; 406-112-001 thru 024</p> <p>I. A. 10A – Cougar Ranch, LLC APN 406-080-003</p> <p>I. A. 12A – Victoria Homes, Inc. & Rainbow Building and Development, Inc. APN 406-080-024</p> <p>I. A. 12A – Saxony & Associates, Inc. APN 406-080-020 (escrow)</p> <p>I. A. 14A – Greystone Inland, LLC APNs 406-310-001 thru 005 & 007 thru 015; 406-330-001 thru 005 (letter of intent)</p> <p>I. A. 14B – Greystone Inland, LLC APNs 406-322-002 & 406-310-006</p> <p>I. A. 14B – LenOne, Inc. APNs 406-330-007 & 012</p> <p>I. A. 14B – Temecula Valley, LLC APNs 406-321-004 & 005</p> <p>I. A. 14B – Westbrook Oak Valley Properties, LLC APN 406-330-014</p> <p>I. A. 14B – City of Beaumont (exempt property) APNs 406-330-006 & 013</p>
SITE CONDITION	Raw unimproved land to land under construction and completed single-family residences.
HIGHEST AND BEST USE	Continued residential development
VALUATION CONCLUSION	\$58,170,000 MARKET VALUE

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Transmittal Letter	i
Summary of Facts and Conclusions.....	iii
Table of Contents	v
Introduction	1
Area Description	17
Market Overview	36
Site Analysis	41
Proposed Improvement Description	54
Highest and Best Use	57
Valuation Methodology	63
Valuation of Improvement Area 9	66
Valuation of Improvement Area 10A	71
Valuation of Improvement Area 12A	76
Valuation of Improvement Area 14B	81
Valuation of Improvement Area 14A	90
Merchant Builder Land Sales Summary	100
Valuation Conclusion	102
Certification	103
Addenda	
Qualifications	
Empire Economics Study (Portion)	
Fee Credits prepared by City's Engineer	
Special Tax Consultants Estimates	

INTRODUCTION

Purpose of the Report

The purpose of this appraisal is to estimate the "As Is" Market Value of the *fee simple estate, subject to special tax liens* for all the taxable land and improvements within the participating projects of Community Facilities District No. 93-1; Series B Bonds for the City of Beaumont.

The opinions set forth are subject to the assumptions and limiting conditions set forth in this appraisal, and the appraisal guidelines as set forth by the City of Beaumont for Community Facilities District financing.

Function of the Report and Intended Use

It is our understanding that this appraisal report is to be used for Community Facilities District bond financing purposes only. The subject property is described more particularly within this report. The bonds are issued pursuant to the Mello-Roos Community Facilities District Act of 1982.

Client and Intended Users of the Report

This report was prepared for our client, the City of Beaumont. The intended users of the report include the City of Beaumont, its Underwriter, Legal Counsel, Consultants, and potential bond purchasers.

Scope of the Assignment

According to the CDIAAC guidelines, the total value conclusion includes the "As Is" estimate of Market Value according to each ownership within the District. The aggregate value represents a Market Value of the appraised properties within the District. This is a fully documented self-contained appraisal report. Any lands designated for park, open space or civic uses within this CFD and not subject to special tax are not included in this assignment.

HRA

We have analyzed the subject property based upon the proposed uses and our opinion of its highest and best use. We have searched for sales of residential land to estimate the value of the properties.

The following paragraphs summarize the process of collecting, confirming and reporting of data used in the analysis.

1. Gathered and analyzed demographic data from sources including the California Department of Finance (population data), Employment Development Department of the State of California (employment data), City of Beaumont (zoning information, building permit trends), City of Beaumont Chamber of Commerce (local demographic trends), Meyers Group (housing sales, inventory levels, and absorption), and sales personnel of comparable projects (market trends of individual home sales). Subject information was gathered from the developer/ builder and their consultants.
2. Inspected the subject's neighborhood and reviewed proposed product and similar products for consideration of Highest and Best Use of the lots.
3. Gathered and analyzed comparable merchant builder land sales within the Beaumont/Banning market areas, and residential detached unit sales, within the subject's primary market area. Data was gathered from sources including, Comps.com, brokers, appraisers, builders active in the area and developers within the Southern California area. Where feasible, data was confirmed with both the buyer and seller. The data gathered are presented on summary data sheets within this report.

Date of Value and Report

The opinions of Market Value expressed in this report are stated as of November 1, 2002. The date of the appraisal report is November 5, 2002.

Date of Inspection

The subject property was inspected on numerous occasions, with the most recent on October 29, 2002.

Property Rights Appraised

The property rights appraised are those of the *fee simple estate subject to special tax liens* of the real estate described herein.

Property Identification

The subject property consists of mostly non-contiguous parcels of land within the City of Beaumont. All of the property is located south of Brookside Avenue and north of I-10.

Improvement Area 9 consists of 10.82 net acres which has been developed with 57 production homes that sold to homeowners during 2001 and 2002. In addition, 4 model homes are developed and there are 8 finished lots. Home sizes range from 1,431 square feet to 1,872 square feet on 7,500 square foot lots. The subdivision is known as Cougar Ranch and development will continue on the contiguous parcel to the west; Improvement Area 10A. This parcel is located on the north side of Cougar Way and east of Beaumont Avenue.

Improvement Area 10A is situated adjacent to Improvement Area 9 to the west. According to the Riverside County Assessor's office this property consists of 40.11 acres within one assessor parcel. The property is under site construction on 59 lots that are improved to near finished lot condition. Fifty-two lots are under unit construction with the first floor framed. Product will be the same as that built within Improvement Area 9 known as Cougar Ranch.

Improvement Area 12A is situated north of and contiguous to Improvement Area 10A. A portion of this parcel fronts Brookside Avenue. The parcel is comprised of two assessor parcels for a gross area of 29.14 acres. The land is generally in raw condition with an approved tentative tract map proposed for 147 units. Twenty-three lots are improved to blue-top condition. Site grading began at the end of August and a trailer is on-site for pre-sales of the product known as Victoria Homes-Beaumont Heights.

HRA

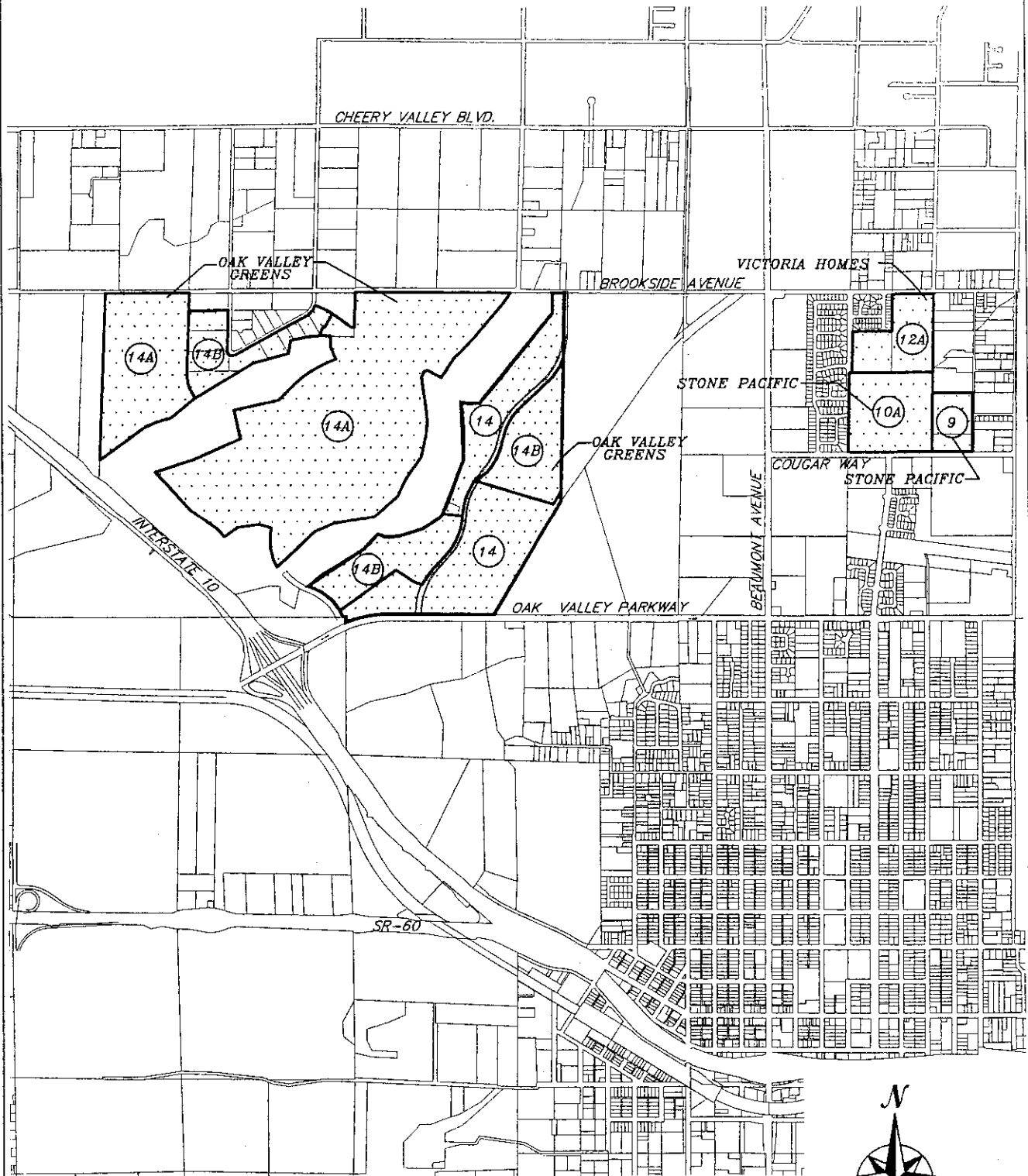
Homes are proposed to range from 1,591 square feet to 2,470 square feet on 7,000 to 8,000 square foot lots.

Improvement Area 14A is situated south of Brookside Avenue and northeast of I-10. The property consists of 19 assessor parcels with a gross area of 301.48 acres. The development is proposed to be age-restricted to persons of 55 years of age and older and is situated within an existing golf course community. This project is proposed to include 1,600 dwelling units with a mix of attached product and detached product situated on lots ranging from 4,000 to 10,000 square feet. All of the land is in raw condition with a portion of the land having approved tentative tract maps and the balance of the land with proposed tentative tract maps.

Improvement Area 14B is situated to the east of Improvement Area 14A, between Brookside Avenue and 14th Street. There are adjacent parcels that have been developed with traditional detached housing. The build out of 14B is proposed to be a continuation of the currently offered products. This Improvement Area consists of 8 assessor parcels with a gross area of 113.34 acres proposed for 311 lots. This parcel includes two recorded tract maps, two approved tentative tract maps and one proposed tentative tract map in various stages of construction. Final Tracts 29182 and 29183 are generally graded to blue-top condition with wet utilities installed. TTMs 29181 and 29180 are rough graded. Proposed Tentative Tract Map 29202 is in a raw condition. In general, the homes are proposed to range from 1,190 square feet to over 3,000 square feet.

The specific improvement areas included in the District and included in this appraisal assignment are summarized in the Legal and Ownership descriptions to follow. The number of proposed and existing units included in this appraisal assignment is estimated based on input from the developer and tentative or final tract maps. The map on the following page identifies the participating projects within this CFD.

CITY OF BEAUMONT COMMUNITY FACILITIES DISTRICT NO. 93-1 PARTICIPATING PROJECTS-SERIES 2002 B



 **PARTICIPATING PROJECTS**

 **IMPROVEMENT AREA NO.**



Urban Logic Consultants
43517 Ridge Park Drive, Suite 200
Temecula, California 92590
Tel: (909) 676-1944 Fax (909) 676-2054

Legal Description and Ownership

According to a review of numerous title reports, information from First American Title Insurance Company, grant deeds and interview, current ownerships for property within the District are summarized on the following pages. Full legal descriptions are included within the title reports retained in our files.

Property History

Improvement Area 9, as previously discussed, has been in a sales program and 57 of the lots have been improved with production homes and sold to the homeowners during 2001 and 2002. Please refer to the valuation section for this improvement area for date of sale and sales price. The remaining 4 model homes and 8 finished lots transferred from Stone Pacific Corporation to Cougar Ranch, LLC on August 23, 2002 for \$1,153,000.

Improvement Area 10A was purchased by Cougar Development, LLC on February 19, 1998 for \$366,500. The property was subsequently quitclaimed to Cougar Ranch, LLC on November 28, 2000 for no compensation.

Improvement Area 12A consists of 2 assessor parcels. Ten acres were purchased on January 9, 2002 for \$295,000. The remaining 19.14 acres are reportedly in escrow for \$725,000. The property is reported to have been in escrow for 1± year and is scheduled to close during November 2002. The overall sales price equates to \$9,444 per proposed dwelling unit.

Improvement Area 14A, which consists of all the age-restricted property within the community of Oak Valley Greens, sold to Greystone Inland, LLC on July 23, 2002 for \$19,839,313 or \$12,254 per proposed dwelling unit. The sale includes the age restricted development proposed for 1,600 dwelling units, plus 19 units within I.A. 14 B.

City of Beaumont CFD No. 93-1						
Improvement Area	Assessor's Parcel Number	Condition of Land	Proposed No. Units	Final Maps	Gross Acs Per APN	Ownership as of November 1, 2002
9				TR 25272		
Stone	406-111-001	Sold Production Home	1	1	0.13	Richard Fernandez
Pacific	406-111-002	Sold Production Home	1	2	0.14	Evangeline Bravo
	406-111-003	Sold Production Home	1	3	0.14	Kevin Amott
	406-111-004	Sold Production Home	1	4	0.14	Stephen C. Anderson
	406-111-005	Sold Production Home	1	5	0.13	Terry D. Richardson
	406-111-006	Sold Production Home	1	6	0.13	Rosalio Castro
	406-111-007	Sold Production Home	1	7	0.14	Steven D. Ochs
	406-111-008	Sold Production Home	1	8	0.14	Harold A. Pickens
	406-111-009	Sold Production Home	1	9	0.15	Lillian K. Dash
	406-111-010	Sold Production Home	1	10	0.14	Matthew C. Jimenez
	406-111-011	Sold Production Home	1	11	0.14	Bill Kosmerchock
	406-111-012	Sold Production Home	1	12	0.15	Gerard E. Napolske
	406-111-013	Sold Production Home	1	13	0.14	Alberto Torres
	406-111-014	Sold Production Home	1	14	0.16	Staffan Kavmark
	406-111-015	Sold Production Home	1	15	0.22	Michael P. Clines
	406-111-016	Sold Production Home	1	16	0.18	Scott R. Mitchell
	406-111-017	Sold Production Home	1	17	0.22	Patricia Barth
	406-111-018	Sold Production Home	1	18	0.15	James Hambelton
	406-111-019	Sold Production Home	1	19	0.14	Helen E. Trask
	406-111-020	Sold Production Home	1	20	0.15	Gary T. Bondurant
	406-111-021	Sold Production Home	1	21	0.15	Kevin K. Mumford
	406-111-022	Sold Production Home	1	22	0.15	Samuel B. Silver
	406-111-023	Sold Production Home	1	23	0.16	James G. Palmer
	406-111-024	Sold Production Home	1	24	0.18	Robert A. Jaffe
	406-111-025	Sold Production Home	1	25	0.16	Julio Martinez
	406-111-026	Sold Production Home	1	26	0.16	John Summers
	406-111-027	Sold Production Home	1	27	0.16	Cynthia L. Castro
	406-111-028	Sold Production Home	1	28	0.14	David M. Parker
	406-111-029	Sold Production Home	1	29	0.18	Lee R. Sperbeck
	406-111-030	Sold Production Home	1	30	0.25	Daryl W. Hitchcock
	406-111-031	Sold Production Home	1	31	0.25	Donald L. Trachta
	406-111-032	Sold Production Home	1	32	0.18	Stevem Novak
	406-111-033	Sold Production Home	1	33	0.14	Lori A. Giannini
	406-111-034	Sold Production Home	1	34	0.16	Arthur L. Boatman
	406-111-035	Sold Production Home	1	35	0.16	Severo R. Gonzales
	406-111-036	Sold Production Home	1	36	0.16	Hugo R. Mascia
	406-111-037	Sold Production Home	1	37	0.17	Clarke Lovell
	406-111-038	Sold Production Home	1	38	0.15	Anthony L. Pou
	406-111-039	Sold Production Home	1	39	0.14	Guy Aiello
	406-111-040	Sold Production Home	1	40	0.14	Luz M. Salazar
	406-111-041	Sold Production Home	1	41	0.15	Ramon M. Torres
	406-111-042	Sold Production Home	1	42	0.14	Jesus Camacho
	406-111-043	Sold Production Home	1	43	0.14	Hortenzia Ramirez
	406-111-044	Sold Production Home	1	44	0.14	John Lucas
	406-111-045	Sold Production Home	1	45	0.15	Chris Learnwetmore
	406-112-001	Sold Production Home	1	46	0.16	Patrick R. Wooten
	406-112-002	Sold Production Home	1	47	0.14	Rachelle C. McCoy
	406-112-003	Sold Production Home	1	48	0.14	Mark D. Waters
	406-112-004	Sold Production Home	1	49	0.14	Earl L. Porter
	406-112-005	Sold Production Home	1	50	0.15	Richard J. McCord
	406-112-006	Sold Production Home	1	51	0.16	Gary L. Parsons
	406-112-007	Physically Finished Lot	1	52	0.24	Cougar Ranch, LLC
	406-112-008	Model Home	1	53	0.14	Cougar Ranch, LLC
	406-112-009	Model Home	1	54	0.14	Cougar Ranch, LLC
	406-112-010	Model Home	1	55	0.15	Cougar Ranch, LLC
	406-112-011	Model Home	1	56	0.16	Cougar Ranch, LLC
	406-112-012	Physically Finished Lot	1	57	0.16	Cougar Ranch, LLC
	406-112-013	Physically Finished Lot	1	58	0.16	Cougar Ranch, LLC
	406-112-014	Physically Finished Lot	1	59	0.15	Cougar Ranch, LLC
	406-112-015	Physically Finished Lot	1	60	0.15	Cougar Ranch, LLC
	406-112-016	Physically Finished Lot	1	61	0.14	Cougar Ranch, LLC
	406-112-017	Physically Finished Lot	1	62	0.15	Cougar Ranch, LLC
	406-112-018	Physically Finished Lot	1	63	0.24	Cougar Ranch, LLC
	406-112-019	Sold Production Home	1	64	0.14	Alberto Avina
	406-112-020	Sold Production Home	1	65	0.14	Robert C. Sutton
	406-112-021	Sold Production Home	1	66	0.14	Burt B. Chaney
	406-112-022	Sold Production Home	1	67	0.14	Mark A. Gambsky
	406-112-023	Sold Production Home	1	68	0.14	Marcia G. Campbell
	406-112-024	Sold Production Home	1	69	0.16	Lawrence A. Falone
			69		10.82	

City of Beaumont CFD No. 93-1						
Improvement Area	Assessor's Parcel Number	Condition of Land	Proposed No. Units	TT Maps & Gross Acs. Final Maps	Per APN	Ownership as of November 1, 2002
10A	406-080-003	Site Under Construction	147	TTM 30388	40 11	Cougar Ranch, LLC
Stone		52 lots between blue-top			40.11	
Pacific		& finished lot condition				
		with foundations framed				
12A	406-080-024	Raw Land	108	TTM 30541	10.00	Victoria Homes, Inc. a California Corporation and
Victoria		Just beginning grading				Rainbow Building and Development, Inc. a CA Corp
Homes	406-080-020	Raw Land	inc. above	TTM 30541	19.14	Saxony & Associates, Inc., Trustee of Property
					29.14	Holding Trust No. 1526
14A	406-310-001	Raw Land	84	TTM29198	23 16	Greystone Inland, LLC
Age-	406-310-002	Raw Land	63	TTM29199	21.18	Greystone Inland, LLC
Restricted			38	TTM29200		
Lennar	portions of 2 above		26	TTM29203		
	406-310-003	Raw Land	48	TTM29201	12.13	Greystone Inland, LLC
	406-310-004	Raw Land	168	TTM29197	10 91	Greystone Inland, LLC
	406-310-005	Raw Land	inc. above	TTM29201	13 80	Greystone Inland, LLC
			46	TTM29196		
	406-310-007	Raw Land	166	TTM29191	23.03	Greystone Inland, LLC
			88	TTM29192		
	406-310-008	Raw Land		Easement	8.15	Greystone Inland, LLC
	406-310-009	Raw Land	inc. above	TTM29191	14.79	Greystone Inland, LLC
	406-310-010	Raw Land		Easement	11.39	Greystone Inland, LLC
	406-310-011	Raw Land	91	TTM29193	17.73	Greystone Inland, LLC
	406-310-012	Raw Land	164	TTM29195	19.61	Greystone Inland, LLC
	406-310-013	Raw Land	128	TTM29188	14.16	Greystone Inland, LLC
			57	TTM29187		
	406-310-014	Raw Land	124	TTM29186	16 58	Greystone Inland, LLC
	406-310-015	Raw Land	inc above	TTM29186	16.52	Greystone Inland, LLC
	406-330-001	Raw Land	109	TTM29189	25.89	Greystone Inland, LLC
	406-330-002	Raw Land		Rec center	8.57	Greystone Inland, LLC
	406-330-003	Raw Land		Easement	7.87	Greystone Inland, LLC
	406-330-004	Raw Land	inc. above	TTM29193	15.06	Greystone Inland, LLC
	406-330-005	Raw Land	200	TTM29194	20.95	Greystone Inland, LLC
			1600		301.48	
14B	406-321-004	rough graded	84	TTM 29180	19.22	Temecula Valley, LLC
Lennar	406-321-005	rough graded	71	TTM 29181	18.60	Temecula Valley, LLC
	406-330-006		NAP	exempt	1.68	City of Beaumont
	406-330-007	Blue-top w/ wet utilities	64	TTM 29183	18.25	LenOne, Inc.
	406-330-012	Blue-top w/ wet utilities	73	TTM 29182	19.44	LenOne, Inc.
	406-330-013		NAP	exempt	0.34	City of Beaumont
	406-330-014			street	2.16	Westbrook Oak Valley Properties, LLC
	406-310-006	Raw Land	19	TTM29202	33.65	Greystone Inland, LLC
			311		113.34	
TOTALS:			2,235		494.89	

Improvement Area 14B consists of the non age-restricted property within Oak Valley Greens. Two tracts; 29182 and 29183 sold to LenOne, Inc. on July 12, 2002 for \$4,679,500. The two tracts are proposed for 137 dwelling units which indicates a price per unit of \$34,157. This property sold in a graded blue-top condition with wet utilities installed. TTMs 29181 and 29180 sold to Temecula Valley, LLC for \$4,039,319 on October 2, 2002. The two tracts are rough graded and proposed for 155 dwelling units which indicates a price per unit of \$26,060.

The appraisers have been informed that there is a signed Letter of Intent from Lennar/Greystone Homes to Pulte Homes (Del Webb) for all of the age-restricted property (I. A. 14A) and Tentative Tracts 29181 and 29180 (portion of I. A. 14B). The terms of the purchase are reported by the seller to be \$27,000,000 at close of escrow and the balance of \$11,400,000 due in one year from the close of escrow. The seller is responsible for all entitlements. Pulte Homes is proposing to alter the current development plans by omitting the attached product and building duplex product instead. The total number of units is proposed to decrease from 1,600 currently approved to 1,405 units. Pulte Homes is currently in its due diligence process, which is a 45 day time frame. The close of escrow is to follow the end of the due diligence period by 5 days, or by November 25, 2002.

The appraisers are not aware of any other transfers of the subject property over the past three years.

Definitions

Market Value¹

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the

¹ Part 563, subsection 563.17-1a(b)(2), Subchapter D, Chapter V, Title 12, Code of Federal Regulations.

consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (a) Buyer and seller are typically motivated.
- (b) Both parties are well informed or well advised, and each acting in what he considers his own best interest.
- (c) A reasonable time is allowed for exposure in the open market.
- (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Fee Simple Estate²

Absolute ownership unencumbered by any other interest or estate subject only to the four powers of government.

Fee Simple Estate Subject to Special Tax and Special Assessment Liens Empirical evidence (and common sense) suggests that the selling prices of properties encumbered by such liens are discounted compared to properties free and clear of such liens. In new development projects, annual special tax and/or special assessment payments can be substantial, and prospective buyers take this added tax burden into account when formulating their bid prices. Taxes, including special taxes, are legally distinct from assessments.

The Market Value included herein, reflects the value potential buyers would consider given the special tax and encumbrances of Community Facilities District No. 93-1 in the City of Beaumont.

Retail Value

Retail value should be estimated for all fully improved and sold properties. Retail value is an estimate of what an end user would pay for a finished property under the conditions requisite to a fair sale.

Blue-Top Graded Parcel

Blue-top graded parcel includes streets cut and padded lots to blue-top with utilities stubbed to the parcel and perimeter streets in.

² *The Dictionary of Real Estate Appraisal*, Third Edition, published by The Appraisal Institute, 1993, Page 140

Finished Site³

Land that is improved so that it is ready to be used for a specific purpose. (Improvements include padded lot, streets and utilities to the lot, and all fees required to issue a building permit paid.)

Mass-Graded Parcels

Mass-graded parcel with utilities stubbed to the site and perimeter streets in.

Assumptions and Limiting Conditions

The analyses and opinions set forth in this report are subject to the following assumptions and limiting conditions:

Standards Rule ("S.R.") 2-1(C) of the "Standards of Professional Appraisal Practice" of the Appraisal Institute requires the appraisers to "clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion." In compliance with S.R. 2-1(C) and to assist the reader in interpreting the report, the following contingencies, assumptions and limiting conditions are set forth as follows:

Contingencies of the Appraisal

The appraisal is contingent upon the successful issuance and funding of Community Facilities District No. 93-1 Series 2002 B for the City of Beaumont. This appraisal assumes various amounts of Fee Credits and reimbursements to the builders/developers as outlined in the valuation sections of this report. If there is a change in the amount of Fee Credits or reimbursements or the timing of the reimbursements, the valuations included in this report would likely change. The reimbursements have been estimated based on the 3 to 1 value to lien being satisfied at the time the escrowed funds become available.

The on-site and off-site infrastructure costs and fees have been provided for our review in summary format by the various builders and developer. The costs were prepared in-house with input from the builder's/developer's engineers. It is assumed that all conditions for site development as indicated in the Conditions of Approval are included in the infrastructure costs. The costs to complete have been compared with other projects in

³ Ibid, Page 334

the area and appear reasonable. *However, it is a specific contingency and assumption of this appraisal report that the costs reported are accurate. Any variance in costs could impact the value conclusions reported in this appraisal report.*

Assumptions and Limiting Conditions

No responsibility is assumed by your appraisers for matters that are legal in nature. No opinion of title is rendered, and the property is appraised as though free of all encumbrances (other than the lien of the special tax) and the title marketable. No survey of the boundaries of the property was undertaken by your appraisers. All areas and dimensions furnished to your appraisers are presumed to be correct.

The date of value for which the opinions of Market Value are expressed in this report is November 1, 2002. The dollar amount of this value opinion is based on the purchasing power of the United States dollar on that date.

The appraisers have not been provided with plans or specifications for the proposed dwellings in the proposed subdivisions within the District. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features will meet market demand for new product in the market area in which the subject is located. This is a specific assumption of the value estimates included in the report.

Maps, plats, and exhibits included herein are for illustration only, as an aid for the reader in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

Oil, gas, mineral rights and subsurface rights were not considered in making this appraisal unless otherwise stated and are not a part of the appraisal, if any exist.

The appraisers have requested from the builders and developers all relevant soils reports, environmental impact reports, geotechnical reports, site assessments, etc. We have received various reports for most of the improvement areas. However, it is a specific contingency and assumption of this appraisal report that the land is suitable for the proposed construction. It is not in the scope of this assignment, nor are the appraisers considered qualified, to report on the suitability of the land for development.

The appraisers have been provided with numerous preliminary title policies prepared for most of the property within the District. For purposes of this appraisal, it is assumed that there are no easements,

encroachments or restrictions that would adversely affect the value of the subject properties.

Information contained in this report has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

Since earthquakes are common in the area, no responsibility is assumed for their possible affect on individual properties, unless detailed geologic reports are made available.

Your appraisers have inspected, as far as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representations are made as to these matters unless specifically considered in the report.

The appraisers assume no responsibility for economic or physical factors which may occur after the date of this appraisal. The appraisers, in rendering these opinions, assume no responsibility for subsequent changes in management, tax laws, environmental regulations, economic, or physical factors which may or may not affect said conclusions or opinions.

No engineering survey, legal, or engineering analysis has been made by us of this property. It is assumed that the legal description and area computations furnished are reasonably accurate. However, it is recommended that an analysis be made for exact verification through appropriate professionals before demising, hypothecating, purchasing or lending occurs.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraisers' inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test for such substances or conditions.

The presence of such substances such as asbestos, urea formaldehyde, foam insulation, or other hazardous substances or environmental conditions may affect the value of the property. The value estimated herein is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them. The client is urged to

retain an expert in the field of environmental impacts upon real estate if so desired.

The cost and availability of financing help determine the demand for and supply of real estate and therefore affect real estate values and prices. The transaction price of one property may differ from that of an identical property because financing arrangements vary.

The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

The forecasts of future events which influence the valuation process are predicated on the continuation of historic and current trends in the market.

The property appraised is assumed to be in full compliance with all applicable federal, state, and local environmental regulations and laws, and the property is in conformance with all applicable zoning and use ordinances/restrictions, unless otherwise stated.

The *Americans with Disabilities Act* ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.

We shall not be required, by reason of this appraisal, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the property without prior arrangements having first been made with the appraisers relative to such additional employment.

In the event the appraisers are subpoenaed for a deposition, judicial, or administrative proceeding, and are ordered to produce their appraisal report and files, the appraisers will immediately notify the employer.

The appraisers will appear at the deposition, judicial, or administrative hearing with his/her appraisal report and files and will answer all questions unless the employer provides the appraisers with legal counsel who then instructs them not to appear, instructs them not to produce certain documents, or instructs them not to answer certain questions. These

instructions will be overridden by a court order which the appraisers will follow if legally required to do so. It shall be the responsibility of the employer to obtain a protective order.

The appraisers have personally inspected the subject property; however, no opinion as to structural soundness of existing improvements or conformity to city, County, or any other agency building code is made. No responsibility for undisclosed structural deficiencies/conditions is assumed by the appraisers. No consideration has been given in this appraisal to personal property located on the premises; only the real estate has been considered unless otherwise specified.

James B. Harris is a Member and Berri J. Cannon is an Associate Member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each Member and Associate to control the use and distribution of each appraisal report signed by such Member or Associate. Except as hereinafter provided, possession of this report, or a copy of it, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers and in any event only with properly written qualification and only in its entirety. **The City of Beaumont, its Underwriter and Legal Counsel may publish this report in the Official Statement for the Community Facilities District No. 93-1.**

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations, new media or any other public means of communication without the prior consent and approval of the undersigned.

The acceptance of and/or use of this appraisal report by the client or any third part constitutes acceptance of the following conditions:

The liability of Harris Realty Appraisal and the appraisers responsible for this report is limited to the client only and to the fee actually received by the appraisers. Further, there is no accountability, obligation or liability to any third party. If the appraisal report is placed in the hands of anyone other than the client for whom this report was prepared, the client shall make such party and/or parties aware of all limiting conditions and assumptions of this assignment and related discussions. Any party who uses or relies upon any information in this report, without the preparer's written consent, does so at his own risk.

HRA

If the client or any third party brings legal action against Harris Realty Appraisal or the signer of this report and the appraisers prevail, the party initiating such legal action shall reimburse Harris Realty Appraisal and/or the appraisers for any and all costs of any nature, including attorneys' fees, incurred in their defense.

AREA DESCRIPTION

The following section of this report will summarize the major demographic and economic characteristics such as population, employment, income and other pertinent characteristics for the Southern California region, Riverside County, the City of Beaumont and the subject market area.

Southern California Regional Overview

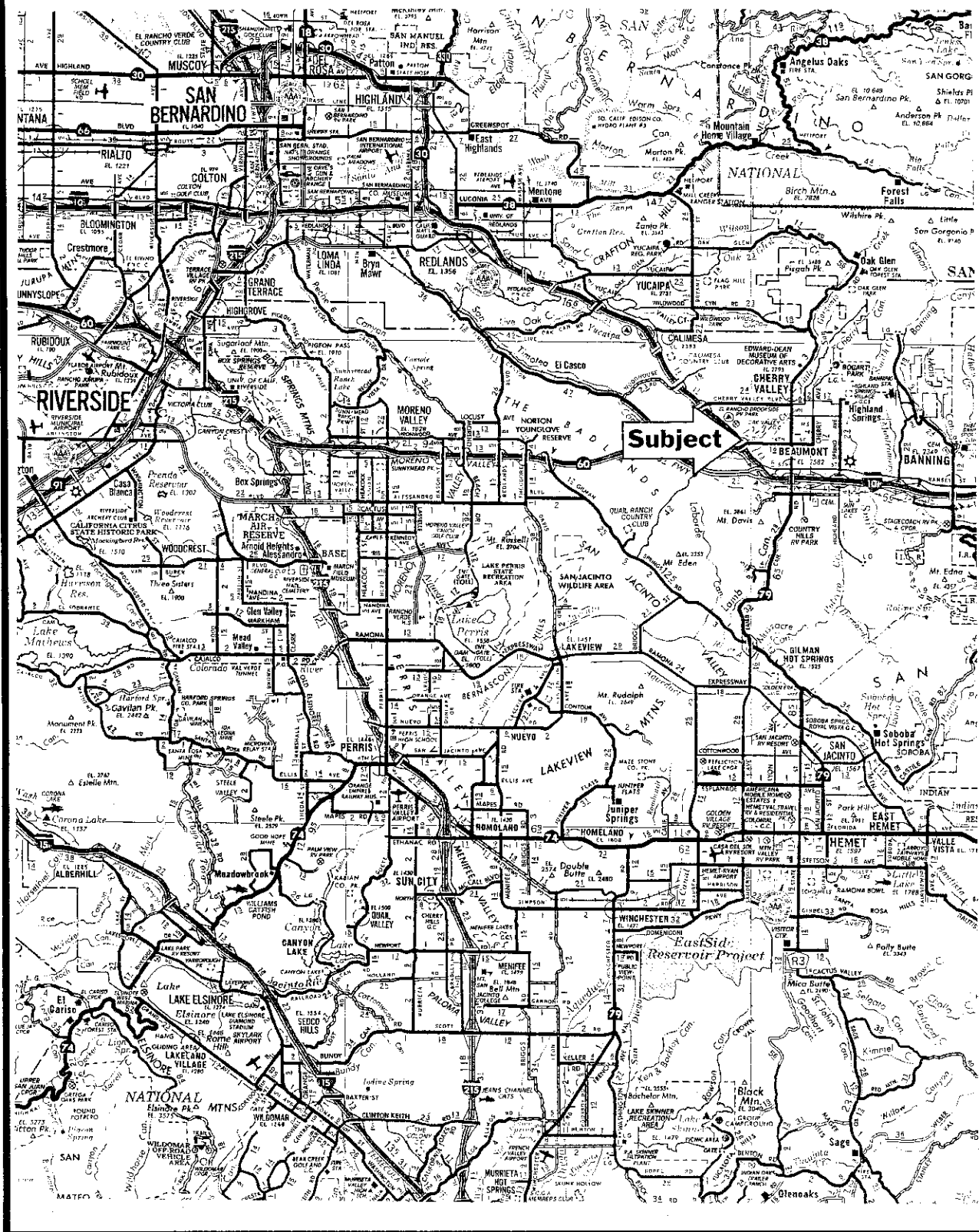
The Southern California region, as defined in this report, encompasses six individual counties including Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura Counties. The Southern California region extends from the California-Mexico border on the south to the Tehachapi mountain range on the north and from the Pacific Ocean on the west to the California-Arizona border on the east. The region covers an estimated 38,242 square miles and embodies a diverse spectrum of climates, topography, and level of urban development. Please refer to the following page for a location map.

Population

The Southern California region has added about 6.2 million new residents since 1980 as indicated in the table shown on page 19. According to the California Department of Finance, the most recent data available indicate that as of January, 2002, the regional population stood at over 19.9 million. If the region were an individual state, it would rank as one of the most populous in the nation.

Since 1981, annual population gains from natural increase and immigration have ranged from a low of 139,100 persons in 1994 up to 568,645 persons in 1989. These figures represent annual gains of 0.7% to 3.5%. During the past five years, the population of the six-county Southern California region grew by 0.7% to 1.9% per annum.

Regional Location Map



As of January, 2002, the population of the six-county area stood at 19,890,700 persons. Looking toward the future it is estimated that the region's population will continue to climb as new residents seek out the southern California area. During the economic downturn from 1992 through 1996, and continuing through 2002, the population growth rate declined compared to the growth experienced in the late 1980s.

Population Trends 1980-2002

Year	Population	Average Annual Change	
		Number	Percent
1980 ¹	13,359,673	-	-
1981	13,571,785	212,112	1.6%
1982	13,868,390	296,605	2.2%
1983	14,179,920	311,530	2.2%
1984	14,483,010	303,090	2.1%
1985	14,795,200	312,190	2.2%
1986	15,189,600	394,400	2.7%
1987	15,613,100	423,500	2.8%
1988	16,027,400	414,300	2.7%
1989	16,460,900	433,500	2.7%
1990	17,029,545	568,645	3.5%
1991	17,334,500	304,955	1.8%
1992	17,648,800	314,300	1.8%
1993	17,892,100	243,300	1.4%
1994	18,081,400	189,300	1.1%
1995	18,220,500	139,100	0.8%
1996	18,371,600	151,100	0.8%
1997	18,556,100	184,500	1.0%
1998	18,914,300	358,200	1.9%
1999	19,255,700	341,400	1.8%
2000	19,592,700	337,000	1.8%
2001	19,759,300	166,600	0.9%
2002	19,890,700	131,400	0.7%

¹ April 1, 1980, 1990, and 2000, all other years January 1
Source: California Department of Finance. 5/02

The future rate of growth will depend on a number of factors that may dramatically affect the region. Some of the major factors include availability of developable land, availability of water, national economic climate, and public policy toward growth and the assimilation of a large number of new foreign immigrants. The continued growth of the population within the region, even during periods of economic slow down, provides a positive indicator as to the desirability of the Southern California region.

Employment

In conjunction with the population growth, a key indicator of the region's economic vitality is the trend in employment. The most common measure of employment growth is the change in non-agricultural wage and salary employment. The table below illustrates the non-agricultural wage and salary employment trends in Southern California.

**Southern California Region
Employment Trends
1983-2001¹**

Year	Employment	Average Annual Change	
		Number	Percent
1983	5,691,000	--	--
1984	5,960,100	269,100	4.7%
1985	6,198,400	238,300	4.0%
1986	6,384,500	186,100	3.0%
1987	6,664,000	279,500	4.4%
1988	6,903,800	239,800	3.6%
1989	7,096,000	192,200	2.8%
1990	7,215,200	119,200	1.7%
1991	7,038,200	(177,000)	(2.5%)
1992	6,834,400	(203,800)	(2.9%)
1993	6,731,100	(103,300)	(1.5%)
1994	6,768,600	37,300	0.6%
1995	6,901,000	132,400	2.0%
1996	7,020,400	119,400	1.7%
1997	7,236,600	216,200	3.1%
1998	7,585,400	348,800	4.8%
1999	7,789,100	203,700	2.7%
2000	7,955,100	166,000	2.1%
2001	8,043,100	88,000	1.1%

¹ 2000 benchmark

Source: Employment Development Department

5/02

In the Southern California region, average annual non-agricultural employment has grown from 5,691,000 jobs in 1983, to a peak employment of 8,043,100 in 2001. This represents an increase of over 1,000,000 new jobs over the past five years.

As the economy entered into an economic recession during the latter part of 1990, employment growth slowed. The average annual gain in 1990 was approximately 119,200 jobs or 1.7%. In 1992 when the full weight of the recession was felt, area

employment suffered the highest annual decline in jobs registered in the last decade, losing nearly 204,000 jobs or a percentage decrease of 2.9%. This was followed by further employment declines of 103,300 jobs in 1993. It appears that by the middle of 1994, the economic recovery finally began to take hold in the Southern California region. The employment data for 1994 indicated a slight increase of 37,300 jobs or 0.6% for 1994. The adverse employment issues experienced in the prior three years had abated. The annual average employment for 1995 exhibited a gain of 132,400 new jobs or a 2.0% increase, and for 1996 an estimated 119,400 new jobs were added. In 1997, total non-agricultural employment stood at 7.2 million, finally exceeding the prior high in 1990. As of year-end 2001, employment was over 8.0 million. Forecasts prior to September 11, 2001, indicate that job growth would continue to be positive in 2001 and increase moderately over the next one to two years. However, with the recent terrorist attack on the United States, most economists are saying we have been in a recession and expect that we are coming out of the recession at this time. Significant layoffs in the travel and tourism industries and related industries occurred. It is too early to predict the full impact of the recent disaster. However, the underlying uncertainty typically breeds indecision, which negatively impacts the economy.

Employment among the individual industry categories reflects some fundamental regional changes in the economy during the past decade. The level of mining activity in Southern California continues to steadily decline as reflected in the consistent decrease in mining employment. Construction employment, as of 1989, was at a high level in response to the level of construction activity that had occurred in the region during the past five years. During the period from 1991 through 1994, construction employment declined in response to decreased residential and commercial construction activity. From 1994 and into 2001, as the economy rebounded, residential construction increased bringing back most construction jobs lost during the recession. Construction will likely be negatively impacted by the recent attack, at least in the short term.

Total manufacturing employment in the region has exhibited little gain from the levels recorded in 1980. Due to the high labor, land, and capital costs in most of the

Southern California region, some manufacturing firms have expanded or relocated their manufacturing operations outside of the area.

The Southern California economy, which historically depends heavily on aerospace and defense related employment, was dealt a double blow. First from the reduction of the space program and reduced government defense spending which affected manufacturers and suppliers, but also from the closure of several military bases which has a ripple effect throughout the local economy. Areas heavily dependent on military spending will be impacted as the units are deployed abroad. Due to the previous base closures in Orange County, this area will not be as negatively impacted as San Diego County.

The finance, insurance, and real estate ("FIRE") employment category grew rapidly as the economy recovered from the 1981-1982 national recession. As the economy entered a new recessionary cycle, the FIRE employment sector exhibited little growth from 1991 through 1995. Some of the manufacturing and aerospace jobs permanently displaced from the economy were slowly being replaced with administrative, marketing and research employment. It is reasonable to assume that similar stagnant growth in this area will be experienced during the current recession.

The employment group that has contributed most to the employment growth in the region is the service sector. Since 1980, the majority of all new jobs have been created in the service category. The service sector was the leader in new job growth during the years that followed the economic recovery from the 1990 recession. This sector will experience layoffs due to its tie to the travel and tourism industries, due to the recent terrorist's attack.

Government employment tends to mirror the growth of the population that it services. It is expected that government employment will grow at a rate similar to the area population. The future employment growth in the Southern California region is expected to continue but at a level moderately lower than recent years. Factors that will affect employment growth include the direction of the national economy, wage levels, housing

prices, and population trends. Given the national disaster of September 11, 2001, government should not experience layoffs; on the contrary, growth particularly in the defense sector should occur.

Riverside County

Riverside County consists of 24 individual cities and numerous unincorporated communities. Riverside County is typically grouped with adjacent San Bernardino County to form the Riverside-San Bernardino Metropolitan Statistical Area ("MSA"). This area is commonly called the Inland Empire. Riverside County is bounded by Orange County to the west, San Bernardino to the north, the state of Arizona to the east, and San Diego County to the south.

The major urbanized areas are located in the western portion of the county. The major incorporated cities include the cities of Riverside, Corona, and Moreno Valley. These areas were the most active areas for new growth during the mid 1980's until the recession took hold during 1990. The area which encompasses Lake Elsinore, Murrieta, Sun City and Temecula has also experienced rapid growth since the mid 1980's. The areas that have experienced the most active growth during the 1980s also suffered the most during the lengthy recession. However, since 1996, residential activity has increased due to downsizing of product with more affordable pricing, and the general improvement in the regional economy.

Population

Riverside County has more than doubled its population, adding approximately 882,488 new residents since 1980 as illustrated in the following table. As of the 2000 Census, the countywide population stood at 1,545,387 residents. The 2002 estimate by the State of California indicates that the County had 1,644,300 residents on January 1, 2002. Annual population gains, from natural increase and immigration, have ranged from less than 18,500 persons in 1997 up to 72,087 persons in 2000. From 1991 to 1997, the rate of growth in population declined moderately each year. Recent gains of 26,100 to 72,087 persons represent annual changes of 1.8% to 4.9%.

CONSULTING REAL ESTATE APPRAISERS

The future rate of growth within the County will depend on a number of factors. Some of the major factors include availability of developable land, availability of water, national and regional economic climate and public policy toward growth.

The areas within the County that will continue to experience the largest share of the new population growth will be the Corona-Riverside area and the area between Lake Elsinore, Sun City and Temecula.

Riverside County Population Trends 1980-2002

Year	Population	Average Annual Change	
		Number	Percent
1980	663,199	-	-
1985	815,100	30,380	4.6%
1990	1,170,413	71,063	6.0%
1991	1,223,200	52,787	4.5%
1992	1,268,800	45,600	3.7%
1993	1,304,400	35,600	2.8%
1994	1,332,000	27,600	2.1%
1995	1,356,600	23,600	1.8%
1996	1,381,900	26,300	1.9%
1997	1,400,400	18,500	1.3%
1998	1,447,200	46,800	3.3%
1999	1,473,300	26,100	1.8%
2000	1,545,387	72,087	4.9%
2001	1,609,400	64,013	4.1%
2002	1,644,300	34,900	2.2%

April 1, 1980, 1990, 2000, all other years January 1

Source California Department of Finance, U S Census 5/02

Employment

Employment data for Riverside County are compiled for the entire MSA, which includes San Bernardino and Riverside Counties. These counties have become a diverse economy, with manufacturing, construction and tourism the major industry groups. In conjunction with the rapid population growth experienced in the past two decades, the

employment base has continued to grow and diversify. The Inland Empire's unemployment rate is moderately above the Southern California average and similar to the State. The higher unemployment rate is due to the seasonal nature of agriculture employment in the area. The following exhibit illustrates the area's unemployment compared to California as of June, 2002.

	<u>Labor Force</u>	<u>Unemployment</u>
California	17,537,300	6.4%
So. California	9,917,600	5.8%
Inland Empire	1,632,200	5.7%

The most common measure of employment growth is the increase in nonagricultural employment. Nonagricultural employment is outlined in the following exhibit. During the 1980's the Inland Empire's employment base expanded rapidly as the area moved away from its military and government oriented employment base to a more fully diversified economy.

Nonagricultural employment has grown from an annual average of 443,100 jobs in 1983 to 1,029,100 jobs in 2001. This represents an increase of over 585,000 new jobs created in San Bernardino and Riverside Counties during the past 19 years. As the economy rebounded from the national recession in 1981-1982, annual employment gains jumped by more than 30,500 new jobs in 1984. Job gains peaked in 1990 with 44,400 new jobs. During the economic recession of 1991 to 1996, increases ranged from 4,400 to 28,600 new jobs representing a 0.6% to 3.8% gain per annum. During the last four years, job increases have ranged from 37,900 new jobs to 56,700 new jobs. The percentage increases have ranged from 4.7% to 6.4%. The table on the following page illustrates the annual employment trends from 1983 through 2001.

Employment among the individual industry categories reflects changes in the Inland Empire economy during the past decade. Construction employment gains generally mirror the regional economy. In response to the high level of construction activity that occurred in the County during the period from 1984 to 1989, construction

employment reached nearly three times the level recorded in 1982. From 1992 through 1995, construction employment declined in response to decreased building activity. The 2000 levels were more than double the 1993 low.

San Bernardino-Riverside MSA¹ Employment Trends 1983-2001

Year	Employment	Average Annual Change	
		Number	Percent
1983	443,100		
1984	473,600	30,500	6.9%
1985	514,100	40,500	8.6%
1986	551,400	37,300	7.3%
1987	588,700	37,300	6.8%
1988	625,100	36,400	6.2%
1989	668,200	43,100	6.9%
1990	712,600	44,400	6.6%
1991	718,800	6,200	0.9%
1992	729,600	10,800	1.5%
1993	734,000	4,400	0.6%
1994	751,300	17,300	2.4%
1995	779,900	28,600	3.8%
1996	803,500	23,600	3.0%
1997	841,400	37,900	4.7%
1998	882,200	40,800	4.8%
1999	938,900	56,700	6.4%
2000	991,500	52,600	5.6%
2001	1,029,100	37,600	3.8%

¹ Data revised due to changes in research methodology, 2000 Benchmark
Source: Employment Development Department 5/02

The number of manufacturing jobs in the Inland Empire has increased over 52% from the levels recorded in 1991. Due to the high labor and capital costs in Los Angeles and Orange counties, manufacturing firms have expanded or relocated some of their manufacturing operations to Riverside and San Bernardino counties to take advantage of the labor force and lower land costs.

Transportation and public utilities employment tend to mirror population growth. In the Inland Empire the finance, insurance and real estate ("FIRE") category is still a small segment of the employment picture.

A significant number of the new jobs created in the 1990's have been created in the service sector. The service sector will continue to play a major role in employment growth during the next few years. Government employment is a major employment sector in the Inland Empire due to the rapid growth.

The future employment growth in the Inland Empire is expected to continue as more firms relocate to the area to take advantage of lower land prices and the abundant labor pool. Factors that will affect employment growth include the direction of the national economy, the availability of water, and the decline in aerospace and defense related spending. Due to the terrorist attack on September 11, 2001, consumer confidence has been negatively impacted. The nation's current situation is completely new and a brand new economic climate is ahead of us. At best, current projections of the impact to Riverside County are mere speculation. However, most economists indicate a current mild recession and that we are likely entering recovery at this time.

Income

The average household income in Riverside County is estimated to be \$53,925. The median household income stands at \$40,755. These figures are moderately below the Southern California region average. The lower income level is due to the lower wages in agriculture, manufacturing, service and government employment. The household income distribution for Riverside County is illustrated in the following table.

County of Riverside Household Income Distribution 2001

Income Range	Households	Percent 1/
Less than \$15,000	87,567	15.35%
\$15,000 - \$24,999	66,960	12.51%
\$25,000 - \$34,999	77,450	14.47%
\$35,000 - \$49,999	92,919	17.36%
\$50,000 - \$74,999	110,850	20.71%
\$75,000 - \$99,999	52,668	9.84%
\$100,000 - \$149,999	29,759	5.56%
\$150,000 or more	17,074	3.19%
Total	535,247	100.0%
Median Household Income		\$40,755
Average Household Income		\$53,925

1/ Percent of total distribution
Source Claritas 2/02

Retail Sales

Retail demand continues to be fueled by the growth in population as outlined previously. For Riverside County, taxable retail sales have increased from \$3.9 billion in 1985 to over \$7.1 billion by 1994 and to nearly \$12.2 billion by 2000. During the past four years, annual changes have ranged from an increase of \$505 million in 1997 to an increase of \$1.5 billion in 2000, as shown on the next table. Data for 2001 are not available as of the date of this report.

The increases in retail sales are due to the exceptionally high County population growth rates experienced during the period from 1983 through 1990. During the period from 1991 through 1993, retail sales were stagnant due to the economic recession. From 1994, and continuing throughout 2000, there was a significant rebound in retail sales. Retail sales for 2001 were reportedly up over 10% on a statewide basis. Official state reports for 2001 will not be released until later this year. In the future, retail sales growth should mirror the population growth in the County.

Riverside County Retail Sales Trends 1/ 1985-2000

Year	Taxable	Average Annual Change	
	Retail Sales (000's)	Number (000's)	Percent
1985	\$3,974,400	\$319,632	8.7%
1986	\$4,338,628	\$364,228	9.2%
1987	\$4,868,644	\$530,016	12.2%
1988	\$5,486,787	\$618,143	12.7%
1989	\$6,257,222	\$770,435	14.0%
1990	\$6,596,974	\$339,752	5.4%
1991	\$6,389,890	(\$207,084)	(3.1%)
1992	\$6,684,107	\$294,217	4.6%
1993	\$6,716,783	\$32,596	0.5%
1994	\$7,131,216	\$414,513	6.2%
1995	\$7,435,414	\$304,196	4.3%
1996	\$8,003,061	\$567,647	7.6%
1997	\$8,508,010	\$504,949	6.3%
1998	\$9,276,448	\$768,438	9.0%
1999	\$10,685,724	\$1,409,278	15.2%
2000	\$12,190,474	\$1,504,750	14.1%

1/ Taxable Retail Sales Total (not adjusted for inflation)

Source: State Board of Equalization 2/02

Transportation

Riverside County is served by a major airport, Ontario International, located in adjoining San Bernardino County. Several major airlines have flights into Ontario, while international flights can be booked out of Los Angeles International Airport.

A network of freeways links most urbanized areas of the County. The major north-south arterials are the Corona (15) and Escondido (215) Freeways. The Pomona Freeway (60) provides east-west access to the Los Angeles area and the desert areas of Riverside County. The Riverside Freeway (91) provides access to Orange County.

Environmental Concerns

The Endangered Species Act of 1973 precludes any activity that constitutes a taking of a federally listed endangered species except by permit. Numerous areas within Riverside County have been identified as containing potential habitat of the Stephen's

Kangaroo Rat, a listed species. The evidence of habitation by this rat has resulted in delays or substantial revisions of proposed developments. The California Department of Fish and Game are currently reviewing the status of additional wildlife for possible inclusion on a list of endangered or threatened species. However, given the development status of the subject's immediate area, no adverse impact is expected. Furthermore, current political trends appear to be in favor of less stringent environmental regulation.

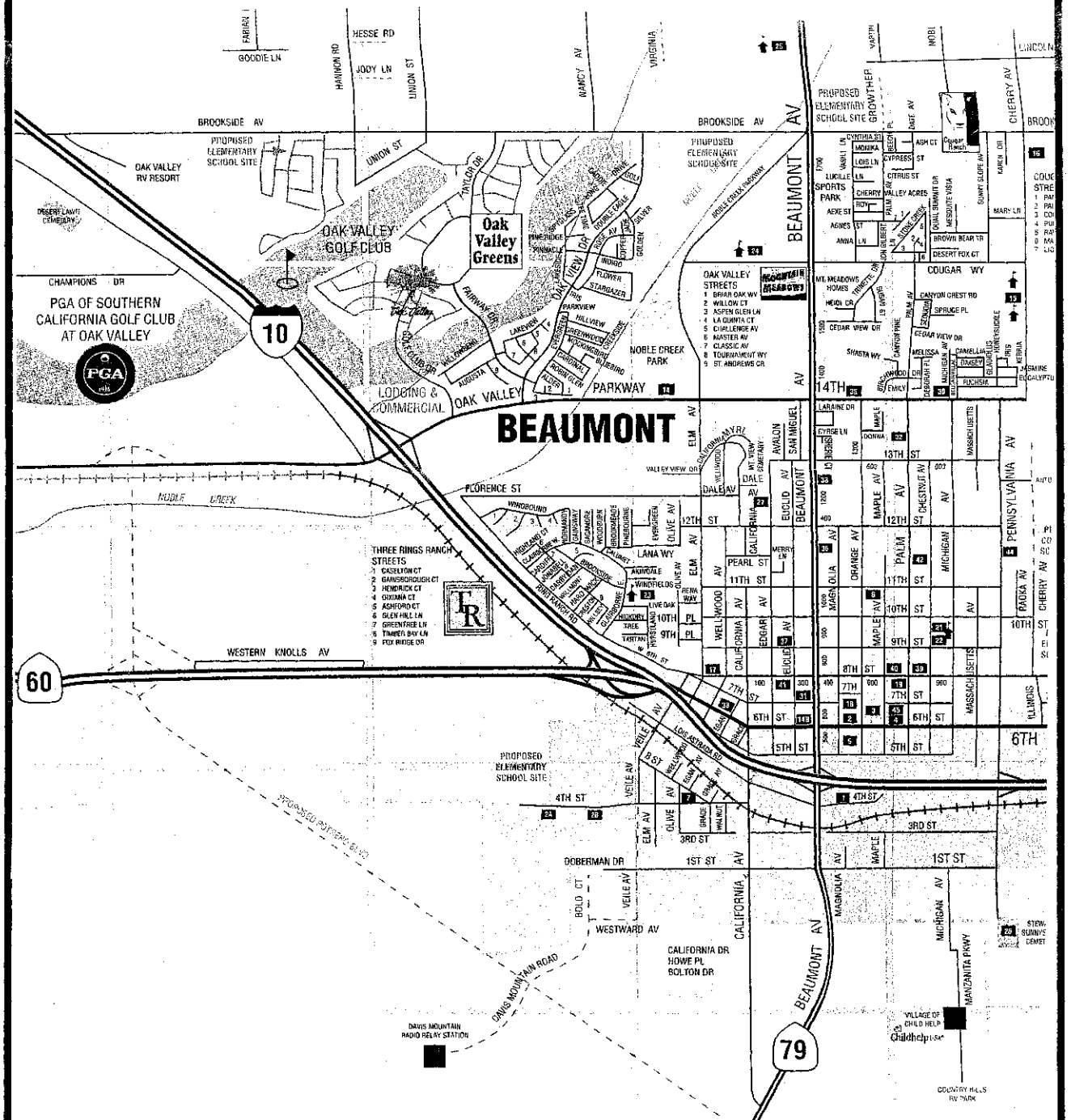
In summary, the region exhibited very strong population and employment growth during the 1980 to 1989 period. The recession of the early 1990s had significantly slowed population growth and resulted in overall job losses from 1990 to 1995. Over the past six years, as the economy recovered, population and employment growth have been stronger than during the growth years of the 1980s. The long-term outlook for the region remains positive as the elements of abundant affordable land and labor still exist. Future growth will, however, continue to be affected by the trends in the overall economy. Riverside County's economic environment should follow a path similar to that of the other Southern California counties.

City of Beaumont

The subject property is located in the City of Beaumont. Beaumont is a small, outlying residential community in the San Geronimo Pass area of Riverside County. Please refer to the location map on the following page. The City has developed on either side of the San Bernardino (I-10) Freeway, south of the San Geronimo Mountains. The pass area includes the communities of Cherry Valley, Beaumont, Banning, Cabazon and the Morongo Indian Reservation. The area has seen limited growth since the early 1940s and 1950s with only a few new infill residential areas built.

Beaumont is located just south of Calimesa and the San Bernardino county line. Banning is located immediately to the east and has a population of 24,650. Banning and Beaumont are often referred to together due to their proximity and similar nature. The Beaumont/Banning area had a reported 2000 population of 54,734 persons with a 2002 estimate of 55,647 persons. The average estimated household income for 2002 is

Neighborhood Map



\$43,522 with \$31,760 being the median household income. The San Bernardino (I-10) Freeway and the Moreno Valley (SH-60) Freeway merge in Beaumont. These two major arterials provide access to Los Angeles and Palm Springs as well as Moreno Valley and San Diego.

The City has a size of approximately nine square miles and a January 2002 population of 12,100 persons. This population report reflects the beginning of a growth wave in the City with a 2002 population increase of 6.1%. This is up from an increase of only 1.3% between 2000 and 2001. The total population growth for the decade from 1990 to 2000 was only 13.6% or 1.3% annually, which reflects the stable condition of the community in previous years. Population growth for the City is expected to increase significantly due to the current development of many new residential tracts in the area. The demand for homes in the area is being fueled by the rapidly increasing housing prices in areas to the west, increased local economic growth and development of recreational amenities which are attracting retirees.

New growth in the City as reported by the City of Beaumont, includes the following master planned projects already under construction.

- Three Ring Ranch, 602 lots, a 10-acre school site, an 11-acre park and 4.4 acres of open space
- Omega Homes I and II, 129 lots to be built in two phases
- Oak Valley Greens (I.A. 14A & 14B plus prior construction), 2,800 homes to be built by Pacific Century Homes/Greystone Homes
- Cougar Ranch I and II, 216 homes to be built in two phases by Stone Pacific (Improvement Areas 9 and 10A)
- Deutsche Ranch, 4,716 residential units, a 15-acre shopping center site, 65 acres for a school and 1,162 acres for parks.
- Precision I and II, 71 homes to be built in two phases.

HRA

The City of Beaumont also reports that it has approved the following master-planned projects which are not yet under construction:

- Heartland Planned Community, 1,224 residential units, a 1.5-acre shopping center site and a 52-acre industrial park
- Hovchild Planned Community, 2,454 residential units, designed for retirees to be built around an 18-hole golf course
- Centerstone at Oak Valley, 453 homes to be built by Centerstone (Improvement Area 1A)
- Potrero Creek, a retirement village of 11,870 units with two golf courses and a recreational center
- Potrero Creek Estates, 700 residential units
- Rolling Hills Ranch, 470 residential units (Improvement Area 4A)
- Seneca Springs, 1,150 residential units
- Noble Creek, 965 residential units

Oak Valley Greens, now being developed by Greystone Homes, includes four different products. As of our survey date on July 19, 2002, The Reserve offered 66 homes and of those 55 were reported as sold. The Reserve offers homes from 1,190 to 2,358 square feet with selling prices from \$159,000 to \$195,000. The Homestead offers homes from 1,377 to 2,665 square feet at sales prices from \$154,000 to \$193,000. There are 72 homes within this project and 65 are reported as sold. The Farm offers homes from 1,362 to 2,671 square feet with sales prices from \$171,000 to \$214,000. There are 64 homes offered and 35 are reported as sold. The largest project is The Fairways which offers 57 homes. As of the survey date 31 were reported as sold. The units range in size from 1,476 to 2,317 square feet with sales prices from \$169,000 to \$210,000.

Three Ring Ranch is located south of 14th Street near I-10. Development has begun with 394 homes sold of a reported 516 planned in the first four tracts. Home prices are in the \$150,000 to \$200,000 range for homes 1,250 to 2,485 square feet in size.

Stone Pacific Corporation has sold 88 of 216 units planned in the Cougar Ranch project (I.A. 9 and 10A). Osborne Development has sold 69 of the 77 homes in the Fore Seasons project at Oak Valley.

Three Ring Ranch and Deutsche Ranch are both under development and will add 5,318 units to the housing base. At an estimated average size of 2.82 persons per household, this represents an additional 14,827 residents in the City, just from these two planned communities. If the additional 22,597 planned units are built-out, the population could increase by an additional 63,700 over the next two decades.

The existing commercial development in the area is characterized as older, grade C properties which have suffered from age, stagnant population growth and limited income levels of the existing residents. All this is changing as new development has begun to reach the San Geronio Pass area. The first of two major commercial changes was the development of the Desert Hills Outlet Mall, a 474,000 square foot discount mall that has 118 stores and employs approximately 1,500 workers.

The second major change, further to the east, was the 1,000± acre Morongo Indian Reservation and its Casino. This was one of the first and most successful casinos in California. It is currently over 100,000 square feet in size and employs approximately 1,300 people.

The City of Beaumont reports that Ralph's Market is considering a location west of the of the San Bernardino (I-10) Freeway and north of Oak Valley Parkway. Wal-Mart is also considering development in the Beaumont area on a site south of the San Bernardino (I-10) Freeway and west of Highland Springs Avenue. This significant

commercial interest supports the idea that Beaumont's economy will soon expand as an influx of consumers occupy Beaumont's larger supply of new homes.

The outlook for Beaumont and the San Geronio Pass area is a period of long-awaited growth. The short term expansion is already underway with new homes and golf courses under construction. New homes, families and employment are bringing new life into the community, a process that appears to be poised to continue during this period of strong housing growth. The area is attracting residents due to the large numbers of affordable homes and the relocation of employers from Los Angeles and Orange Counties where real estate and labor costs are higher.

MARKET OVERVIEW

General Market Trends

The Inland Empire housing market has continued to increase in demand and price over the past several years. As in the past, the increased housing prices in Orange, San Diego and Los Angeles Counties has encouraged buyers to look at alternative locations for homes. The Inland Valley housing prices from March to May 2002 were up 14% over the same period last year. The average median home price in the region hit a record high of \$208,000 in July 2002, according to a survey by DataQuick Information Systems. San Bernardino County's \$160,000 record high was also set in July 2002. Sales volume has near-historic highs for the month also. Reportedly the shortage of homes prevented sales from being even higher.

Through 2003, Riverside and San Bernardino counties will post state-leading numbers in home construction and be among the strongest in job growth, according to reports. During 2002, new building permits in Riverside and San Bernardino counties will reach an estimated 31,675, the state's highest. Projections for 2003 estimate that building permits will be 2.6% more than 2002, but remain unmatched throughout California. The bulk of the detached homes sold in the Inland Empire are priced under \$300,000 and comprise 81% of the total sales. Sales of homes priced between \$250,000 and \$300,000 continue to see the most activity, comprising 29% of the detached market. The number of active projects in the Inland Empire rose from 392 to 420 during the second quarter of 2002. The majority of active projects are located in Riverside County, with most projects located in the South Riverside submarket.

Standing detached inventory decreased from 227 units in the second quarter of 2002 to its current level of 184 units. At the current sales rate, there is a 0.1-month supply of detached homes. Detached total unsold inventory consisted of 19,538 units by the end of the second quarter of 2002, which is up from 18,550 last year. At current sales rates, this level of inventory equates to an 11.5 month supply, which is down by 1.1 months over last year.

Projections for the housing market are that home prices will continue to increase, spurred by very low interest rates and flexible lending policies, at least until the end of the year. The low mortgage rate is keeping buying a house today more affordable than it was a decade ago, even with the increase in prices. Some experts are predicting a leveling off of prices by the end of the year. At that point the higher prices should prompt more people to sell their homes which will bring the supply and demand into better balance.

A recent nationwide study by the Meyers Group found that in the first two quarters of 2002, of the top 10 markets in the country for new homes, four are in California and the top is the Inland Empire. The markets were compared by looking at the ratio of job growth to building permit activity.

North Central Submarket

The subject is situated in the North Central submarket region, which accounted for 553 detached sales during the second quarter of 2002, or about a 10.5% market share of the Inland Empire market. The median price in the North Central submarket has increased considerably over the past five years to \$185,390, a 40% increase. The indicated increase in median price from one year ago is over 15%. Although still the most affordable submarket in Riverside County with a price per square foot ratio of \$98.00, the price per square foot in the subject's submarket increased by 6.5% from one year ago.

During the second quarter of 2002, the subject's submarket sold 0 detached homes priced under \$150,000; 436 detached homes priced between \$150,000 and \$199,999; 107 detached homes priced between \$200,000 and \$249,999; and 15 detached homes priced between \$250,000 and \$299,999. Reportedly, there were no home sales over \$300,000. Similarly, there were no attached products that sold in the subject's submarket or any other submarket in the Inland Empire with the exception of the Riverside South submarket.

Within the North Central submarket there are 25 active projects, which is 2 more than last year at this time. The subject's market area reports 6 standing inventory units and 92 units under construction and completed. This is the lowest inventory level in Riverside County. Total inventory which includes units built, under construction and future construction total 1,962 units which equates to a 16.6 month supply at the current sales rate. One year ago total inventory was at 2,168 units, but the months to absorb based on last year's sales rate was 37.4 months.

The subject's primary market area, Beaumont-Banning, has finally emerged as an important new home market. Sales rose from just 160 homes in 2000 to 549 homes in 2001 and 475 homes were sold in the first half of 2002. Of the 549 homes sold in 2001, 28% were priced under \$150,000 and 63% between \$150,000 and \$200,000. During the first half of 2002, 10±% of the homes were priced under \$150,000, 85±% between \$150,000 and \$200,000 and 5±% between \$200,000 and \$275,000. This activity is projected to establish the submarket as a viable new home location and lead to increases in sales activity throughout the remainder of the decade. Rising new home sales in this market are likely to result in the development of one or more of the several major planned communities that are planned in the market area. Depending on timing of the master planned communities, strong competition could occur.

Please refer to the market studies prepared by Empire Economics that address the micro and macro economic dynamics that affect Riverside County and the subject property. The report prepared for the District is dated August 2002.

Beaumont-Banning Competitive Market Survey

Please refer to the table on the follow page that summarizes the currently selling projects in Beaumont including those within the District. As indicated on the table, projects throughout Beaumont are selling well. The survey date was July 19, 2002.

Beaumont/Banning Market Overview							
COMMUNITY PROJECT/BUILDER	MINIMUM LOT SIZE	SIZE RANGE (SF)	BASE PRICE RANGE	DATE OPENED	# UNITS/ # SOLD (7/19/02)	SALES/ MONTH	COMMENTS
Three Rings Ranch							
MONTANA Brookfield Homes	7,000 SF	1,495 to 2,401 SF	\$160,000 to \$192,000	1/5/2001	40/40/40	3.5	Closed; Sold out 4 th Q 2001
CIMARRON Corman Leigh	7,000 SF	1,915 to 2,620 SF	\$155,000 to \$182,000	2/10/2001	67/67/67	6.0	Closed; Sold out 4 th Q 2001
DAKOTA Osborne Development	7,200 SF	1,250 to 1,962 SF	\$150,000 to \$176,000	5/27/2000	215/215/215	8.8	Sold out 2 nd Q 2002
SEDONA Brookfield Homes	7,000 SF	1,866 to 2,485 SF	\$177,500 to \$206,000	4/27/02	194/77/72	24.0	Price increases of \$5,000 to \$6,000 since opening
Oak Valley Greens							
THE RESERVE Greystone Homes/Lennar	5,500 SF	1,190 to 2,358 SF	\$159,000 to \$195,000	8/04/2001	66/59/55	4.8	Overlapping product line with Homestead; prices up marginally since reopening as Greystone Homes.
THE HOMESTEAD Greystone Homes/Lennar	5,000 SF	1,377 to 2,665 SF	\$154,000 to \$193,000	8/04/2001	72/69/65	5.6	See above
THE FARM Greystone Homes/Lennar	6,000 SF	1,362 to 2,671 SF	\$171,000 to \$214,000	8/04/2001	64/51/35	8.8	Overlapping product line with Fairways; prices up marginally since reopening as Greystone Homes.
THE FAIRWAYS Greystone Homes/Lennar	6,000 SF	1,760 to 3,092 SF	\$197,000 to \$241,000	3/15/2002	57/45/31	7.8	See above
FORE SEASONS Osborne Development	7,000 SF	1,476 to 2,317 SF	\$169,000 to \$210,000	6/1/2002	77/77/69	46.0	3 of 4 models sold; fairway premiums to \$35,000
Other Beaumont/Banning							
MOUNTAIN MEADOWS Omega Homes II	6,000 SF	1,326 to 2,221 SF	\$143,000 to \$197,000	3/01/1998	129/51/49	0.9	Prices reflect increases of \$10,000 in next phase of 16 homes; Plan 1 discontinued
COUGAR RANCH Stone Pacific Corporation	7,500 SF	1,431 to 1,845 SF	\$147,000 to \$173,000	9/15/2000	216/105/88	4.0	Price increases of \$5,000 since April; Plan 1 discontinued
HIGHLAND ESTATES L.T.V. Builders & Developers	7,000 SF	1,200 to 1,707 SF	\$130,000 to \$167,000	6/23/2000	138/138/129	5.2	Optional garage space conversion to bonus room (200+ s.f.)
Sun Lakes (Age-restricted country club community by Pulte Homes)							
Presley Models BUILDOUT Promenade Series Atrium Series Terrace Series	4,000 SF 5,000 SF 6,000 SF	1,280 to 1,474 SF 1,535 to 1,784 SF 1,878 to 2,226 SF	\$126,000 to \$136,000 \$142,000 to \$156,000 \$180,000 to \$193,000	10/15/2000	100/100/100 105/105/105 106/106/106	6.3 6.2 5.9	Numbers reflect existing plans sold by Pulte since buyout from Presley in Fall 2000. These series sold out in January through March 2002.
DIAMOND COLLECTION	4,300 SF 5,000 SF 6,000 SF	1,458 SF 1,675 SF 2,139 SF	\$167,500 \$192,000 \$241,500	9/10/2001	644/380/344	34.4	Hillside and championship golf views to \$100,000+; executive course location to \$25,000

HRA

The project experiencing the lowest sales rate is Mountain Meadows, which is due to timing of development rather than lack of demand. The two projects experiencing extremely high sales opened in April and June, 2002. In general, for projects with a 1± year sales period, homes are selling between 5 and 8 units per month. The majority of the homes have sales prices under \$200,000.

SITE ANALYSIS

General

The participating projects within the boundaries of CFD 93-1 are in various states of site and unit construction. Generally, the subject properties include undeveloped land with approved tentative tract maps.

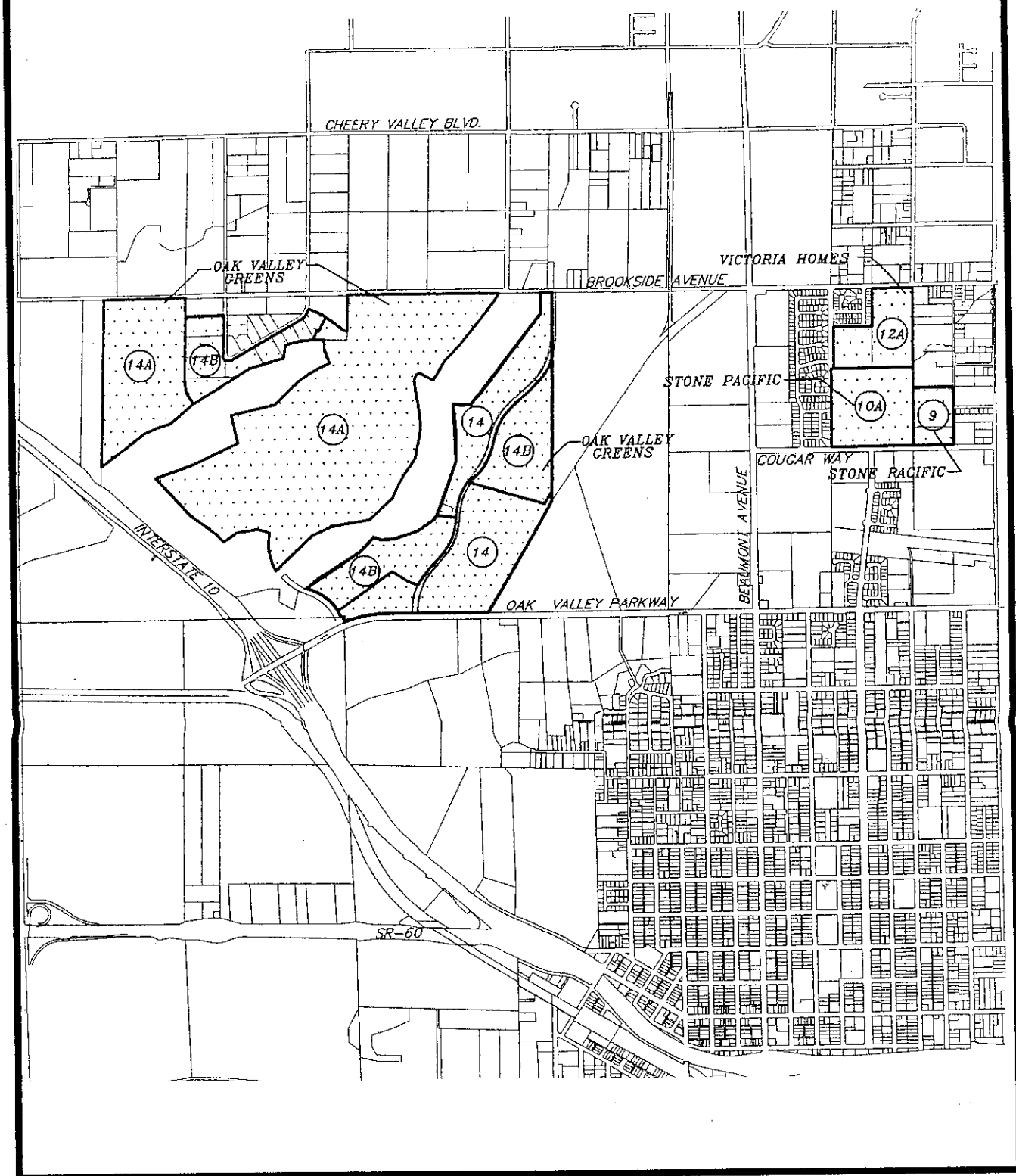
Location

The subject properties are located in the City of Beaumont in the north central area of Riverside County. The unincorporated area of Cherry Valley and the City of Calimesa are located to the north and northwest of Beaumont. The City of Banning is located to the east and unincorporated County areas are located to the southeast, south and southwest. The City of Moreno Valley is located to the West along the S-60 Highway. Please refer to the map on the next page that shows the boundaries of the participating projects of the District. The subject of this appraisal includes Improvement Areas 9, 10A, 12A, 14A and 14B.

Current Site Condition

As summarized on pages 7 and 8, the subject properties are in various stages of construction from raw land with proposed tentative tract maps to improved homes that have sold to the ultimate homeowner. One developer, Lennar Communities and its affiliates, owns the majority of the land in the District. A portion of the land is proposed for an age-restricted project with land in a raw condition with proposed tentative tract maps and approved tentative tract maps. The developer also owns land for conventional housing that is in mass graded condition to blue-top lots with wet utilities installed. In addition there are two merchant builders that own land proposed for two subdivisions.

*CITY OF BEAUMONT
COMMUNITY FACILITIES DISTRICT NO. 93-1
PARTICIPATING PROJECTS-SERIES 2002 B*



CONSULTING REAL ESTATE APPRAISERS

HRA

Improvement Area 9, proposed for 69 total homes, consists of 57 completed and occupied dwelling units, 4 completed model homes and 8 finished lots. The project is known as Cougar Ranch. The existing model homes are used for sales of homes proposed for the adjacent parcel, Improvement Area 10A.

Improvement Area 10A, proposed for 167 total homes, is a continuation of the existing project known as Cougar Ranch. The eastern portion of the parcel is under site construction with construction of production homes beginning. There are 59 lots that have been graded to near finished lot condition. Fifty-two lots also have the first floor framed. Thirty-one of the 147 proposed homes are reported as sold as of the survey date, July 19, 2002.

Improvement Area 12A, proposed for 108 total homes, is in a raw condition with rough grading just beginning. Pre-sales began around mid-September from an on-site trailer. Reportedly, 24 homes were released for sale and 22 sold within a 5 week period. The builder is anticipating raising the sales prices of the homes between \$3,000 and \$5,000 per unit after the last 2 homes are sold that are currently released. The land is proposed for 108 single family homes to be built by Victoria Homes. There is an approved tentative tract map that is expected to record during November 2002. Ten acres are currently owned by Victoria Homes and 20± acres are in escrow and scheduled to close within a week after the final map records.

Improvement Area 14A is owned by Greystone Homes and is proposed for an age-restricted community known as Renaissance at Oak Valley Greens consisting of 1,600 dwelling units, of both attached and detached homes on various sized lots. This development consists of raw land. A portion has approved tentative tract maps and a portion does not. This is the largest improvement area in the District and consists of over 300 acres.

Improvement Area 14B, proposed for 311 total homes, is in various stages of site construction from rough graded land to blue-top lots with wet utilities installed. Two

tracts, proposed for 155 detached homes, are under the ownership of Temecula Valley, LLC. The two tracts proposed for 155 units are in rough grade condition. Site work is not anticipated to begin until 2003. Two additional tracts are owned by LenOne that are in blue-top condition with wet utilities installed. The remaining site construction is anticipated to begin in November 2002. An additional tract proposed for 19 homes on 30,000 square foot lots is owned by Greystone Homes. This tract consists of raw land and is adjacent to developments in I.A. 14A.

Size and Shape

Based on information provided by the City's Director of Economic Development and the Riverside County Assessor's office, the total gross area of the participating projects within CFD No. 93-1 is 494.89 acres. This does include the net area for the 69 lots with Improvement Area 9 and some areas with tax exempt property. All other area calculations are gross areas extracted from the assessor parcel sizes. Please refer to pages 7 and 8, which illustrates the gross parcel size for each assessor parcel in the District and the total gross acres for each Improvement Area in the District. The number of proposed and existing units included in this appraisal assignment are estimated based on input from the builders and tentative or final tract maps.

Soils and Geology

The appraisers have requested soils and geotechnical reports from all of the property owners in the District.

Improvement Area 9 is essentially built-out with only 8 finished lots within the site. We did not receive a soils or geotechnical study for this property, nor did we feel it was necessary. Given the built-out nature of Improvement Area 9, it is assumed that all appropriate design and grading was completed to allow the existing development.

A geotechnical study was completed for Improvement Area 10A by Hilltop Geotechnical, Inc. dated October 17, 2001. The study focused on the improvements to the Marshall Creek that traverses the property. The findings of the study indicated that

the property was suitable for the proposed drainage improvements provided the recommendations presented in the report were complied with and incorporated into the design and construction of the project. The report references two previous studies completed by Hilltop Geotechnical, Inc. for the subject property. A Phase 1 Environmental Site Assessment was completed on July 9, 2001. A geotechnical study for the proposed residential development was completed on October 10, 2001. The appraisers have not been provided with copies of the two reports. However, it is reported that the conclusions of the reports indicated that development of the property as proposed is feasible, assuming certain recommendations included in the report were followed.

For Improvement Areas 14A and 14B an Environmental Impact Report was provided for review. The report was prepared for the City of Beaumont by Applied Planning Inc., dated May 3, 1999. The determination of the analysis indicated that the proposed development of the Oak Valley Estates PUD would not result in any significant impacts to the environment. The study further states that while the project has the potential for significant impacts, the mitigation measure provided in the report will reduce potential impacts to a level of insignificance. It was recommended that a Mitigated Negative Declaration be prepared. The EIR is retained in our work files. No other studies were submitted for review.

For purposes of this report it is a specific assumption and contingency of the appraisal that the lands are suitable for the proposed construction.

Topography and Drainage

The City of Beaumont generally consists of level to rolling topography. Improvement Areas 9, 10A and 12A are essentially level sites.

Improvement Areas 14A and 14B contain several large and relatively flat plateaus that overlook the existing Oak Valley Golf course. The site was historically used for dry crop farming and cattle grazing. The site is generally in a highly disturbed

condition exhibiting few natural features. Improvement Area 14B has all been rough graded with some vegetation overgrowth. Portions of this improvement area have been further developed from blue-top lots to physically finished lots.

Upon construction of the sites, most on-site run-off will be channeled into the streets where it is collected by curbs and gutters and carried into storm drains located at various locations along the streets.

It is a specific assumption of this appraisal that subdivider/builder will fulfill all grading and drainage requirements of the City of Beaumont prior to construction of dwelling units.

Zoning

According to a representative of the City, the General Plan is undergoing revisions. The table on the following two pages summarizes the various zone designations for the subject properties.

Improvement Area 9 has a recorded tract map and is designated for single family residential development. Improvement Areas 10A and 12A have similar zone designations. Improvement Areas 10A and 12A have approved tentative tract maps that are anticipated to record in November 2002. The minimum lot size under this zone designation is 6,000 square feet.

Improvement Areas 14A and 14B are designated PUD, planned unit development. Planning Areas 2 and 3 of the PUD are designed to meet the needs of a defined market segment, the Active-Adult homeowner. These areas overlap I. A. 14A and are designed as a gated, age-restricted community. The Oak Valley Golf Course is adjacent to the proposed developments. The design of the planning areas incorporated an activity center

City of Beaumont CFD No. 93-1						
Improvement Area	Assessor's Parcel Number	Condition of Land	Proposed No. Units	TT Maps & Gross Acs	Final Maps Per APN	Current Zone Designation
9				TR 25272		
Stone	406-111-001	Sold Production Home	1	1	0.13	R-SF
Pacific	406-111-002	Sold Production Home	1	2	0.14	R-SF
	406-111-003	Sold Production Home	1	3	0.14	R-SF
	406-111-004	Sold Production Home	1	4	0.14	R-SF
	406-111-005	Sold Production Home	1	5	0.13	R-SF
	406-111-006	Sold Production Home	1	6	0.13	R-SF
	406-111-007	Sold Production Home	1	7	0.14	R-SF
	406-111-008	Sold Production Home	1	8	0.14	R-SF
	406-111-009	Sold Production Home	1	9	0.15	R-SF
	406-111-010	Sold Production Home	1	10	0.14	R-SF
	406-111-011	Sold Production Home	1	11	0.14	R-SF
	406-111-012	Sold Production Home	1	12	0.15	R-SF
	406-111-013	Sold Production Home	1	13	0.14	R-SF
	406-111-014	Sold Production Home	1	14	0.16	R-SF
	406-111-015	Sold Production Home	1	15	0.22	R-SF
	406-111-016	Sold Production Home	1	16	0.18	R-SF
	406-111-017	Sold Production Home	1	17	0.22	R-SF
	406-111-018	Sold Production Home	1	18	0.15	R-SF
	406-111-019	Sold Production Home	1	19	0.14	R-SF
	406-111-020	Sold Production Home	1	20	0.15	R-SF
	406-111-021	Sold Production Home	1	21	0.15	R-SF
	406-111-022	Sold Production Home	1	22	0.15	R-SF
	406-111-023	Sold Production Home	1	23	0.16	R-SF
	406-111-024	Sold Production Home	1	24	0.18	R-SF
	406-111-025	Sold Production Home	1	25	0.16	R-SF
	406-111-026	Sold Production Home	1	26	0.16	R-SF
	406-111-027	Sold Production Home	1	27	0.16	R-SF
	406-111-028	Sold Production Home	1	28	0.14	R-SF
	406-111-029	Sold Production Home	1	29	0.18	R-SF
	406-111-030	Sold Production Home	1	30	0.25	R-SF
	406-111-031	Sold Production Home	1	31	0.25	R-SF
	406-111-032	Sold Production Home	1	32	0.18	R-SF
	406-111-033	Sold Production Home	1	33	0.14	R-SF
	406-111-034	Sold Production Home	1	34	0.16	R-SF
	406-111-035	Sold Production Home	1	35	0.16	R-SF
	406-111-036	Sold Production Home	1	36	0.16	R-SF
	406-111-037	Sold Production Home	1	37	0.17	R-SF
	406-111-038	Sold Production Home	1	38	0.15	R-SF
	406-111-039	Sold Production Home	1	39	0.14	R-SF
	406-111-040	Sold Production Home	1	40	0.14	R-SF
	406-111-041	Sold Production Home	1	41	0.15	R-SF
	406-111-042	Sold Production Home	1	42	0.14	R-SF
	406-111-043	Sold Production Home	1	43	0.14	R-SF
	406-111-044	Sold Production Home	1	44	0.14	R-SF
	406-111-045	Sold Production Home	1	45	0.15	R-SF
	406-112-001	Sold Production Home	1	46	0.16	R-SF
	406-112-002	Sold Production Home	1	47	0.14	R-SF
	406-112-003	Sold Production Home	1	48	0.14	R-SF
	406-112-004	Sold Production Home	1	49	0.14	R-SF
	406-112-005	Sold Production Home	1	50	0.15	R-SF
	406-112-006	Sold Production Home	1	51	0.16	R-SF
	406-112-007	Physically Finished Lot	1	52	0.24	R-SF
	406-112-008	Model Home	1	53	0.14	R-SF
	406-112-009	Model Home	1	54	0.14	R-SF
	406-112-010	Model Home	1	55	0.15	R-SF
	406-112-011	Model Home	1	56	0.16	R-SF
	406-112-012	Physically Finished Lot	1	57	0.16	R-SF
	406-112-013	Physically Finished Lot	1	58	0.16	R-SF
	406-112-014	Physically Finished Lot	1	59	0.15	R-SF
	406-112-015	Physically Finished Lot	1	60	0.15	R-SF
	406-112-016	Physically Finished Lot	1	61	0.14	R-SF
	406-112-017	Physically Finished Lot	1	62	0.15	R-SF
	406-112-018	Physically Finished Lot	1	63	0.24	R-SF
	406-112-019	Sold Production Home	1	64	0.14	R-SF
	406-112-020	Sold Production Home	1	65	0.14	R-SF
	406-112-021	Sold Production Home	1	66	0.14	R-SF
	406-112-022	Sold Production Home	1	67	0.14	R-SF
	406-112-023	Sold Production Home	1	68	0.14	R-SF
	406-112-024	Sold Production Home	1	69	0.16	R-SF
			69		10.82	

City of Beaumont CFD No. 93-1						
Improvement Area	Assessor's Parcel Number	Condition of Land	Proposed No. Units	TT Maps & Gross Acs. Final Maps	Per APN	Current Zone Designation
10A	406-080-003	Site Under Construction	147	TTM 30388	40.11	R-SF
Stone Pacific		52 lots between blue-top & finished lot condition with 1st floor framed			40.11	
12A	406-080-024	Raw Land w/ 23 lots graded to blue top	108	TTM 30541	10.00	R-SF
Victoria Homes	406-080-020	Raw Land	inc. above	TTM 30541	19.14	R-SF
					29.14	
14A	406-310-001	Raw Land	84	TTM29198	23.16	PUD
Age-Restricted	406-310-002	Raw Land	63	TTM29199	21.18	PUD
Lennar			38	TTM29200		
	portions of 2 above		26	TTM29203		
	406-310-003	Raw Land	48	TTM29201	12.13	PUD
	406-310-004	Raw Land	168	TTM29197	10.91	PUD
	406-310-005	Raw Land	inc. above	TTM29201	13.80	PUD
			46	TTM29196		
	406-310-007	Raw Land	166	TTM29191	23.03	PUD
			88	TTM29192		
	406-310-008	Raw Land		Easement	8.15	PUD
	406-310-009	Raw Land	inc. above	TTM29191	14.79	PUD
	406-310-010	Raw Land		Easement	11.39	PUD
	406-310-011	Raw Land	91	TTM29193	17.73	PUD
	406-310-012	Raw Land	164	TTM29195	19.61	PUD
	406-310-013	Raw Land	128	TTM29188	14.16	PUD
			57	TTM29187		
	406-310-014	Raw Land	124	TTM29186	16.58	PUD
	406-310-015	Raw Land	inc. above	TTM29186	16.52	PUD
	406-330-001	Raw Land	109	TTM29189	25.89	PUD
	406-330-002	Raw Land		Rec. center	8.57	PUD
	406-330-003	Raw Land		Easement	7.87	PUD
	406-330-004	Raw Land	inc. above	TTM29193	15.06	PUD
	406-330-005	Raw Land	200	TTM29194	20.95	PUD
			1600		301.48	
14B	406-321-004	rough graded	84	TTM 29180	19.22	PUD
Lennar	406-321-005	rough graded	71	TTM 29181	18.60	PUD
	406-330-006		NAP	exempt	1.68	PUD
	406-330-007	Blue-top w/ wet utilities	64	TTM 29183	18.25	PUD
	406-330-012	Blue-top w/ wet utilities	73	TTM 29182	19.44	PUD
	406-330-013		NAP	exempt	0.34	PUD
	406-330-014			street	2.16	PUD
	406-310-006	Raw Land	19	TTM29202	33.65	PUD
			311		113.34	
TOTALS:			2,235		494.89	

of the community and has a definite pedestrian orientation with a tree-lined promenade. The in-tract streets will provide for golf carts and bicycle lanes. There are nineteen 30,000 square foot lots within Planning Area 2 that are to remain as conventional housing in its current location, which is considered part of I. A. 14B. The access for these lots is provided by Union Street and Hannon Road, outside the gated community.

Planning Area 1 is anchored by a large centrally located park site and includes conventional single family detached housing. Planning Area 1 overlaps Improvement Area 14B.

The proposed residential developments are in the following land use districts: Low Density Single Family Residential lots with a minimum lot size of 20,000 to 30,000 square feet; Low Density Single Family Residential lots with a minimum lot size of 4,000 to 10,000 square feet; Medium Density Single-Family Duplex Residential Lots with a minimum lot size of 3,000 square feet per unit; Medium Density Cluster Single-Family and Multi-Family products; Commercial use with a maximum of 150,000 square feet; and Open Space, Parks and Recreation uses. The project site is designated on the General Plan as Low Density Residential with a density of 2.4 to 4.1 dwelling units per acre, Medium Density Residential with a density of 4.2 to 15 dwelling units per acre and Community Commercial.

Access and Circulation

The City of Beaumont's regional access is provided via State Route 60 (Moreno Valley Freeway) and Interstate 10 in an east/west direction and by State Route 79 (Beaumont Avenue) in a north/south direction. These transportation corridors connect the City to eastern and southern Riverside County as well as the abutting Counties of Orange, Los Angeles, San Diego and San Bernardino.

Beaumont Avenue intersects with the I-10 in the south central area of the City. SR-60 merges with I-10 approximately one mile to the west of the intersection of Beaumont Avenue and the I-10.

HRA

Improvement Areas 9 and 10A are accessed via Cougar Way from Beaumont Avenue. The intersection of the I-10 and Beaumont Avenue is approximately 2 to 3 miles to the south. Improvement Area 12A is accessed via Brookside Avenue to the North. This improvement area is the same general location as Improvement Areas 9 and 10A.

Improvement Areas 14A and 14B are accessed via Brookside Avenue to the north. Fourteenth Street runs along the south boundary of 14B. The age-restricted community, I. A. 14A, is proposed to have a 24-hour manned security gatehouse main entrance. The other two access areas to the community will be both gated with card-key access controlled. The nineteen 30,000 square foot lots within I. A. 14B that are to remain as conventional housing are accessed by Union Street and Hannon Road, outside of the gated community of I.A. 14A.

The developed subdivision provides internal residential streets that are improved with concrete curbs, gutters and sidewalks and offer one lane in each direction. The proposed subdivisions will provide similar access to the individual lots/homes.

Ontario International Airport is located 40± miles northwest of the City of Beaumont, providing both passenger and freight airline service.

Easements

The appraisers have requested current title policies for all the property owners within the District. The following title policies have been received and reviewed.

The appraisers have not been provided with a preliminary title policy for Improvement Area 9. As previously mentioned, 57 of the 69 proposed homes have sold to individual homeowners during 2001 and 2002. A title policy was prepared at the time of each sale. It is a specific assumption and contingency of this appraisal that there are no easements, restrictions or conditions that would adversely impact the subject properties.

A preliminary title policy was prepared by Lawyers Title Insurance Corporation dated July 29, 2002, File No. 4030623-11 for Improvement Area 10A. The policy did not indicate any easements, conditions or restrictions that could negatively impact the subject property.

An ALTA Standard Policy Schedule A was submitted for Improvement Area 12A. The Policy No. is 2198696-21, dated May 3, 2002. The report basically gives the ownership and legal description of the property. It is a specific assumption and contingency of this appraisal that there are no easements, restrictions or conditions that would adversely impact the subject property.

For Improvement Areas 14A a title policy has been prepared by First American Title Company dated April 12, 2002, Order No. 0625-542062. The report reflects the prior ownership of Westbrook Oak Valley Properties, LLC. At the time of the report, taxes for numerous parcels were reported as delinquent. The report covers all of the assessor parcels included in Improvement Area 14A with the exception of APN 406-310-015. According to the City's engineer, this parcel is also included in the boundaries of I. A. 14A. It is a specific assumption and contingency of this appraisal that there are no easements, restrictions or conditions that would adversely impact the subject properties. It is a further assumption and contingency of this appraisal that all property taxes are current.

Current title policies were requested from the developer, Greystone Homes. To date, two additional policies for Improvement Area 14A have been received. The policies are prepared by North American Title Company and dated August 30, 2002. The policies cover Tentative Tract Maps 29186 and 29187 (TTMap 29186 covers APN 406-310-015). These policies indicate Greystone Inland, LLC as the owner. The reports indicate the properties are within the boundaries of CFD No. 93-1. There did not appear to be any easements, conditions or restrictions that would negatively impact the property.

HRA

One title policy has been received for Improvement Area 14B that covers Tentative Tract Map 29182. The report was prepared by North American Title Company and dated September 12, 2002. The report indicates the property is within the boundaries of CFD No. 93-1. There did not appear to be any easements, conditions or restrictions that would negatively impact the property.

As of the date of this appraisal report, no other preliminary title policies have been received. It is specific assumption of this appraisal that all easements and encumbrances affecting the subject property are not detrimental to value. Due to the number of preliminary title policies on the subject properties, the reports are retained in the appraisers work files.

Utilities

The subject properties will be served by the following companies/agencies:

Electricity	Southern California Edison Company
Water	Beaumont/Cherry Valley Water District
Gas	Southern California Gas Company
Sewer	City of Beaumont
Telephone	Verizon
Police	City of Beaumont Police Department
Fire	Riverside County Fire Department

Earthquake, Flood Hazards, and Nuisances

The subject properties, as of the date of valuation, are not located in a designated Earthquake Study Zone as determined by the State Geologist. However, all of Southern California is subject to seismic activity. According to Federal Emergency Management Agency Community Panel No. 060245-0805-A, effective date April 15, 1980, Improvement Areas 9, 10A, 12A, 14A and 14B are within a Zone C designated area that references an area of minimum flooding. Flood insurance is not required. No other nuisances or hazards were observed on physical inspection of the subject properties as of the date of value.

Environmental Issues

The appraisers have been provided with an Environmental Assessment and Mitigated Negative Declaration on Improvement Areas 14A and 14B, prepared by Applied Planning Inc. dated May 3, 1999. Based on the conclusions of this study, it is recommended that a Mitigated Negative Declaration be prepared for this project. The mitigation measure provided for in the report reduced potential impacts to a level of insignificance.

The appraisers have not been provided with similar studies for Improvement Areas 9, 10A or 12A.

For purposes of this appraisal and values included herein, it is a specific assumption and contingency that the land is suitable for the proposed developments.

Taxes and Special Assessments

The subject properties generally have a base tax rate of around 1.2% of assessed value. In addition, there will be special taxes for CFD No. 93-1. The overall tax rate is estimated around 1.9% of value for the conventional housing. Reportedly, the overall tax rate for the age-restricted product is to be between 1.5% and 1.7% of value.

Please refer to the City's special tax consultant's report prepared by General Government Management Services which provides specific information on individual taxes.

Please refer to the City's special tax consultant's report regarding delinquent taxes on any of the properties. **For purposes of this appraisal and values, it is assumed all taxes due are paid in full.**

PROPOSED IMPROVEMENT DESCRIPTION

General

The appraisers have not been provided with plans or specifications for the proposed improvements within the District. However, there are four projects selling within Oak Valley Greens that are either a part of I.A.14B of the CFD or the continuation of the products will be in the CFD. Similarly, Cougar Ranch, I.A. 9 and I.A. 10A, are currently selling and Victoria Homes, I.A. 12A, is open for pre-sales. The five subdivisions currently in a sales program are summarized on page 39 of this report. The appraisers have inspected all of the subdivisions. For purposes of this appraisal, we have assumed that the quality of construction, functional utility, amenities and features will be similar to the currently selling projects and will meet market demand for new product in the subject's market area. The table on the following page represents the proposed number of units, lot size, home size range and current price range for the proposed homes as indicated by the developer/builders.

Functional Utility

It is an assumption of this appraisal that all of the floor plans are functional, and competitive with current design standards.

Remaining Economic Life

The total/remaining economic life, according to the Marshall Valuation Service, is considered to be 50 years from date of completion.

Homeowners Association Dues

There is no homeowner's associations for Improvement Areas 9, 10A, 12A or 14B. There will be a HOA established for the age-restricted planning areas within I. A. 14A. The common amenities will include a recreation center, common area landscape, private streets and gated community. The monthly dues are estimated at \$125 to \$150 per month, which is competitive with similar communities.

Beaumont

Participating Projects CFD 93-1

Improvement Area/Product Name	No. of Units*	Minimum Lot Size	Home Size Range	Sales Price Range
9 – Cougar Ranch	69	6,000 SF	1,253 – 1,845 SF	\$147,000 - \$173,000
10A – Cougar Ranch	147	6,000 SF	1,431 – 1,845 SF	\$147,000 - \$173,000
12A – Victoria Homes – Beaumont Heights	108	6,000 SF	1,591 – 2,470 SF	\$159,950 - \$225,950
14A – N/A	168	16 DU/AC	N/A	N/A
14A – N/A	252	12 DU/AC	N/A	N/A
14A – N/A	128	3,000 SF Duplex	975 – 1,285 SF	N/A
14A – N/A	353	4,000 SF	1,170 – 1,370 SF	N/A
14A – N/A	387	5,000 SF	1,487 – 1,707 SF	N/A
14A – N/A	200	6,000 SF	1,878 – 2,232 SF	N/A
14A – N/A	64	8,000 SF	N/A	N/A
14A – N/A	48	10,000 SF	N/A	N/A
14A – N/A	1,600			
14B – The Farm & The Fairways	64	6,000 SF	1,760 – 2,671 SF	\$187,990 - \$229,990
14B – The Reserve II	73	5,500 SF	1,190 – 2,358 SF	\$150,490 - \$182,490
14B – N/A	155	7,000 SF	2,100 SF EST.	\$195,000 EST.
14B – N/A	19	30,000 SF	3,300 SF+ or custom	\$300,000 EST.
	368			
Total Units:	3,162			

*Represents participating projects subject to special tax.

HIGHEST AND BEST USE

The term *highest and best use* is an appraisal concept, which has been defined as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.⁴

It is implied in these definitions that determination of highest and best use takes into account the contribution of a specific use to the community and community development goals as well as the benefits of that use to individual property owners. Hence, in certain situations, the highest and best use of land may be for parks, greenbelts, preservation, conservation, wildlife habitats, and the like. A use which does not meet the needs of the public will not meet the highest and best use criteria.

The determination of highest and best use, therefore, requires a separate analysis for the land as legally permitted, as if vacant. Next, the highest and best use of the property with its improvements must be analyzed to consider any deviation of the existing improvements from the ideal. "The highest and best use of both land as though vacant and property as improved must meet four criteria. The highest and best use must be: legally permissible, physically possible, financially feasible, and maximally productive. These criteria are often considered sequentially."⁵ The four criteria interact and, therefore, may also be considered in concert. A use may be financially feasible, but it is irrelevant if it is physically impossible or legally prohibited.

Legally Permissible Use

The legal factors affecting the sites and its potential uses are often the most restrictive. These would typically be government regulations such as zoning and building codes.

⁴ *The Appraisal of Real Estate*, 10th Edition, Pub. by the Appraisal Institute, Chicago, IL., p. 275.

⁵ *Ibid.*, p. 280.

The subject properties are all within the City of Beaumont. All projects have zone designations consistent with their intended use. With the exception of portions of Improvement Area 14A, all of the projects have approved tentative tract maps or final tract maps. The final tract maps for Improvement Areas 10A and 12A are anticipated to record in November 2002. Two final tract maps have recently recorded in Improvement Area 14B. The recordation of the remaining two tentative tract maps in I. A. 14B should record in mid-2003. We have not been provided with a timeline for recordation of the maps in I. A. 14A.

Improvement Areas 14A and 14B are within a Planned Unit Development. The proposed projects are consistent with the approved PUD. Based on the entitlements of the various projects within the CFD, the proposed developments appear legally feasible.

Physically Possible Use

The subject properties are located in the City of Beaumont. Beaumont is located in Riverside County and is accessed by SR-60 and I-10. These transportation corridors connect the City to eastern and western Riverside County as well as to the abutting Counties of Orange, Los Angeles, San Diego and San Bernardino.

The specific site locations of Improvement Areas 9, 10A and 12A are generally in-fill sites with no common amenities or features. However, development of this type is typical for the Beaumont/Banning market area.

Improvement Areas 14A and 14B are within a Planned Unit Development and are situated around the existing Oak Valley Golf Course. Because of the overlying PUD there are common area features and amenities that the individual subdivisions will benefit from. The community not only offers the golf course but neighborhood parks, open spaces, pedestrian paths and extensive street landscaping and overall community design. The subject of this appraisal includes all units proposed for the age-restricted property and several conventional subdivisions. Within the community is a commercial

segment proposed for up to 150,000 square feet of retail uses. The commercial component is tax exempt and not a part of this appraisal report. Only the age-restricted community will be gated and have a homeowner's association with monthly dues. The HOA is not typical for the Beaumont/Banning area for traditional housing, although it is common place in age-restricted communities with private streets and gated entrances.

Access to each improvement area is considered adequate and within 1 to 3 miles from I-10.

We have been provided with soils reports and site assessment reports for most of the subject properties. According to the soils reports and environmental site assessments, development is possible and feasible assuming the engineer's recommendations are followed. All normal utilities are available to serve the subject sites.

The size, access and topography of the subject properties make them physically suited for several types of development; however, the grading and infrastructure that has occurred on some of the sites is for single-family residential use. Additionally, the surrounding uses of residential development appear to make the subject properties more suitable for residential use.

Based on the physical analysis, the subject properties appear to be best suited for residential development due to the existing infrastructure and location.

Financial Feasibility and Market Conditions

The financial feasibility of the development of the subject property is based on its ability to generate sufficient income and value in excess of the costs to develop the property to its highest and best use. Please refer to the Valuation section of this report, which gives support to the financial feasibility of the District.

It is not in the scope of this appraisal assignment for the appraisers to conduct an extensive independent market study/absorption analysis, but it is the appraisers'

responsibility to address the reasonableness of the conclusions of any market study which has been prepared by outside firms for the subject property. For a project the size and complexity of CFD 93-1 in the City of Beaumont, there could be divergent opinions, often based on the same base data, as to the anticipated absorption time-frame of the undeveloped land within the District. Unforeseen national and regional economic and/or social changes will affect the time-frame of real estate development.

In an attempt to arrive at reasonable and supportable absorption schedules for the various uses within CFD 93-1, the appraisers reviewed an independently prepared absorption analysis that relates to CFD 93-1. This independent study is titled Market Absorption Study, CFD No. 93-1 Beaumont Financing Authority Series 2002 B for the City of Beaumont, prepared by Empire Economics, Inc., dated October 7, 2002. A copy of a portion of the absorption analysis summary is included in the Addenda of this report.

The following paragraphs will examine the assumptions, analysis and conclusions of the Empire Economics report. It should be noted that the Empire Economics' study is *based on absorption of product by the end-use, the individual homebuyer.* This typically is 12 to 24 months later than land absorption to the builders.

Market Absorption Study, Empire Economics

The Empire Economic absorption schedule presented for the subject property is predicated on the basic assumption concerning the regional economy and is considered a reasonable blending of the cyclical and structural factors that influence the California economy. The analysis is based on a computer model that uses population and employment as the generators of residential demand. Based on the previously mentioned economic premise, the Empire Economics' report presents the following absorption summary for the residential land uses:

Improvement Area 9 is not a part of the report as the majority of homes have sold to the ultimate homeowners. The absorption estimates for Improvement Area 10A, a continuation of the same product as I. A. 9, indicates sales to the homeowners beginning in 2003 through 2005. There are 147 homes proposed for I. A. 10A.

Improvement Area 12A is proposed for one product consisting of 108 single family detached homes. The absorption report indicates sales to the homeowners beginning in 2003 through 2005.

Improvement Area 14A, consisting of 1,600 proposed detached and attached units, has absorption estimated from 2003 through 2010 to the homeowners.

Improvement Area 14B, shows sales to the homeowners beginning in 2002 through 2004. The nineteen 30,000 square foot lots proposed for a tract product with home sizes from 3,000 square feet and larger or a custom home development shows absorption from 2004 through 2007.

The above absorption estimates are given consideration in the valuations of the subject improvement areas.

As discussed in the Market Overview section of this report, the Inland Empire housing market has continued to increase in demand and price over the past several years. These dynamics are mirrored for the City of Beaumont. Please refer to page 39 of this report that summarizes the actively selling projects in the City. As indicated, demand has been good and projects are generally experiencing sales rates between 5 and 8 units per month.

Given the demand for similar projects in the subject's market place and supported price structure, the proposed projects should meet with good market demand. The cost to develop, as discussed in the Valuation section of this report, shows the feasibility of the development as proposed.

Maximally Productive

In considering what uses would be maximally productive for the subject property, we must consider the previously stated legal considerations. We are assuming the land uses allowed under the existing zoning and PUD with the City of Beaumont are the most productive uses that will be allowed at the present time. Current demand indicates that other alternative uses are not feasible at this time.

The exiting developments of Cougar Ranch and the Fairways should continue to meet with good market acceptance. Given the steady demand for detached residential product in Beaumont, it is our opinion that the proposed developments provide the highest land value and are, therefore, maximally productive.

Conclusion

Legal, physical, and market considerations have been analyzed to evaluate the highest and best use of the property. This analysis is presented to evaluate the type of uses which will generate the greatest level of future benefits possible from the land.

After reviewing the alternatives available and considering this and other information, it is the opinion of the appraisers that the highest and best use for the subject properties, as vacant, is for residential development similar to that proposed. The project appears to have the location, features, and pricing structure to obtain a reasonable sales rate under normal financing and market conditions.

As Vacant

After reviewing the alternatives available and considering this and other information, it is these appraisers' opinion that ultimate development of single-family detached for-sale developments similar to the currently selling projects are considered the highest and best use of the property. Limited multi-family uses would also be considered the highest and best use for a portion of the age-restricted District.

As Improved

The proposed uses are of legal use of the property as outlined in this report, and the value of the property as improved will far exceed the value of the site if vacant. This means that the proposed improvements will contribute substantial value to the sites. Based on these considerations, it is our opinion that the proposed improvements constitute the highest and best use of the subject properties.

VALUATION METHODOLOGY

Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

Valuation Approaches

Three basic approaches to value are available to the appraiser:

Cost Approach

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements new (maintaining comparable quality and utility) and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and economic factors affecting the property. This is then added to the estimated land value to provide a value estimate.

Income Approach

This approach is based upon the theory that the value of the property tends to be set by the expected net income therefrom to the owner. It is, in effect, the capitalization of expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization rate, and the processing of the net income stream into a value estimate.

Direct Comparison Approach

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired. This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and proposed use be obtained through interview and observation.

Static Residual Analysis is used to estimate the merchant builder land value when the proposed product is known. From the estimated base retail home price, all costs associated with the home construction including direct construction costs, indirect construction costs, financing and profit are deducted. Following the deduction of costs, the residual figure is an estimate of the merchant builder land value.

Developmental Analysis is a form of appraisal by direct comparison for estimating land value. It is based upon the premise that one would not pay more for a parcel of land than its contributory value to the economic enterprise of developing the parcel into finished sites. It essentially treats land as one of the raw materials required for developing a master planned community. If one is able to prepare a reasonably reliable forecast of the finished site improvements that can be developed on that parcel of land and identify all of the costs and required profit margins, what is residual or left over is what is available to acquire the land.

The Static Residual Analysis for residential land is used in valuing the fee simple estate. The Direct Comparison Approach is used for the valuation of land when sufficient comparable sales are available. The Income Approach is typically used when appraising income producing properties. This approach is not applicable in the valuation of land as land is not typically held to generate monthly income, but rather purchased to construct an end product that may or may not generate income. The Cost Approach is not an appropriate tool in the valuation of land.

For the improved residential properties a comparison of the sold units of similar size and utility was completed. The findings indicated that the reported sales prices were similar to recent sales prices of similar units within Cougar Ranch. The recorded sales prices are used to value the 57 sold homes within I.A. 9. The finished lots within existing subdivisions are valued by the Static Residual Analysis. Subdivisions with proposed products and the size a merchant builder would purchase are also valued by the Static Residual Analysis.

For the land owned by the merchant builders, discounting is not required. For the land under the ownership of the master developer, a Developmental Analysis is used. The land is valued by Direct Comparison and the Static Residual Analysis. The

HRA

Developmental Analysis residuals to a bulk "As Is" estimate of value by identifying all required costs to improve the finished lots and homes. The Developmental Analysis residuals to a bulk land value estimate by identifying the associated costs of absorption and required profit margin. This analysis is considered an appropriate procedure for estimating value, when projecting revenue over a market supported absorption period and associated costs can be reasonably estimated. The Developmental Analysis is used to estimate the bulk value of the unimproved land proposed for 1,600 dwelling units within I.A. 14A of the District. The Development Analysis is also used to value the land not under construction within Improvement Area 14B.

Within the Valuation section of this report, each merchant builder ownership will be valued separately, followed by the valuation of land under the master developer ownership.

The CFD fee credits and reimbursements, if applicable, are given consideration to arrive at an "As Is" Value estimate for each Improvement Area. The appraisers have estimated the escrow release of funds, with input from the City's Financial Advisor, assuming construction as outlined in the various discounted cash flow analyses is attained. It is our understanding that the release of the escrowed funds will not occur until the 3 to 1 value to lien ratio is satisfied.

VALUATION – IMPROVEMENT AREA 9

Improvement Area 9 is the furthest along in terms of development of the seven Improvement Areas. The subject's Tract Map No. 25272, proposed for 69 lots, recorded on July 3, 2000. The site was subsequently improved with 69 finished lots of which 57 have improved and sold production homes. The 57 homes sold during 2001 and 2002. In addition, there are 4 improved model homes and 8 finished lots. The model homes are currently being used for the continuation of Cougar Ranch on Improvement Area 10A.

Cougar Ranch opened for sales in September 2000. As of the survey date on July 19, 2002; 105 homes were released for sale and 88 homes were reported as sold. The indicated absorption is 4 units per month. Homes range in size from 1,431 to 1,845 square feet and are currently priced from \$152,950 to \$179,950.

Valuation of Sold Homes and Model Homes

As previously described, the subject property is in various stages of construction from physically finished lots to completed and occupied dwelling units. This section of the report will value the completed and sold units as of the date of appraisal. The four model homes are also valued in this section. A \$10,000 increase in base sales price per unit has been estimated for the landscape and irrigation system and interior upgrades. The actual sales price is used in valuing the sold units. The development is still in a sales program and sales have continued with increases in base sales price since the sold units entered escrow. Therefore, the prices paid are supported by the market and sales within the subject's tract.

To complete this portion of the assignment, we acquired sales prices from Orange Coast Title Company for 57 sold homes. Legal descriptions, sale dates, owners of record and sales prices were reported and a lot by lot accounting is included on the next page. The information is presented by lot and tract numbers.

IMPROVEMENT AREA 9

Sold Homes and Model Homes

Tract 25272	Description of Unit	Sales Price	Ownership as of September 1, 2002	Sale Date
1	100% Complete & Sold	\$145,000	Richard Fernandez	5/17/02
2	100% Complete & Sold	\$170,000	Evangeline Bravo	6/5/02
3	100% Complete & Sold	\$165,000	Kevin Arnott	6/18/02
4	100% Complete & Sold	\$140,000	Stephen C. Anderson	5/31/02
5	100% Complete & Sold	\$165,000	Terry D. Richardson	5/29/02
6	100% Complete & Sold	\$172,000	Rosalio Castro	7/5/02
7	100% Complete & Sold	\$154,000	Steven D. Ochs	7/26/02
8	100% Complete & Sold	\$171,000	Harold A. Pickens	6/21/02
9	100% Complete & Sold	\$140,000	Lillian K. Dash	6/4/02
10	100% Complete & Sold	\$152,500	Matthew C. Jimenez	5/30/02
11	100% Complete & Sold	\$170,000	Bill Kosmerchock	6/7/02
12	100% Complete & Sold	\$162,000	Gerard E. Napolske	5/24/02
13	100% Complete & Sold	\$151,000	Alberto Torres	5/31/02
14	100% Complete & Sold	\$166,000	Staffan Kavmark	11/30/01
15	100% Complete & Sold	\$147,000	Michael P. Cines	11/30/01
16	100% Complete & Sold	\$162,000	Scott R. Mitchell	11/9/01
17	100% Complete & Sold	\$171,500	Patricia Barth	11/16/01
18	100% Complete & Sold	\$165,000	James Hambelton	11/9/01
19	100% Complete & Sold	\$140,000	Helen E. Trask	3/15/02
20	100% Complete & Sold	\$141,000	Gary T. Bondurant	10/31/01
21	100% Complete & Sold	\$148,500	Kevin K. Murnford	10/25/01
22	100% Complete & Sold	\$165,500	Samuel B. Silver	10/26/01
23	100% Complete & Sold	\$143,000	James G. Palmer	12/14/91
24	100% Complete & Sold	\$149,500	Robert A. Jaffe	10/12/01
25	100% Complete & Sold	\$155,500	Julio Martinez	10/12/01
26	100% Complete & Sold	\$167,500	John Summers	10/26/01
27	100% Complete & Sold	\$136,000	Cynthia L. Castro	12/5/01
28	100% Complete & Sold	\$155,000	David M. Parker	10/12/01
29	100% Complete & Sold	\$150,000	Lee R. Sperbeck	10/15/01
30	100% Complete & Sold	\$159,000	Daryl W. Hitchcock	10/12/01
31	100% Complete & Sold	\$172,500	Donald L. Trachta	9/28/01
32	100% Complete & Sold	\$150,000	Stevem Novak	1/28/02
33	100% Complete & Sold	\$163,500	Lori A. Giannini	1/18/02
34	100% Complete & Sold	\$143,000	Arthur L. Boatman	2/1/02
35	100% Complete & Sold	\$153,500	Severo R. Gonzales	10/12/01
36	100% Complete & Sold	\$168,000	Hugo R. Mascia	4/11/01
37	100% Complete & Sold	\$139,000	Clarke Lovell	4/12/01
38	100% Complete & Sold	\$143,500	Anthony L. Pou	3/8/02
39	100% Complete & Sold	\$162,000	Guy Aiello	12/7/01
40	100% Complete & Sold	\$143,000	Luz M. Salazar	12/14/01
41	100% Complete & Sold	\$137,000	Ramon M. Torres	2/27/02
42	100% Complete & Sold	\$162,000	Jesus Camacho	4/5/02
43	100% Complete & Sold	\$143,000	Hortenzia Ramirez	2/20/02
44	100% Complete & Sold	\$156,000	John Lucas	12/18/01
45	100% Complete & Sold	\$132,000	Chris Learnwetmore	6/12/01
46	100% Complete & Sold	\$140,000	Patrick R. Wooten	9/11/01
47	100% Complete & Sold	\$164,000	Rachelle C. McCoy	5/18/01
48	100% Complete & Sold	\$147,000	Mark D. Waters	7/20/01
49	100% Complete & Sold	\$164,000	Earl L. Porter	6/6/01
50	100% Complete & Sold	\$150,500	Richard J. McCord	5/15/01
51	100% Complete & Sold	\$140,000	Gary L. Parsons	7/31/01
53	Model Home - Plan 5	\$183,000	Cougar Ranch, LLC	N/A
54	Model Home - Plan 4	\$183,000	Cougar Ranch, LLC	N/A
55	Model Home - Plan 3	\$163,000	Cougar Ranch, LLC	N/A
56	Model Home - Plan 2	\$157,000	Cougar Ranch, LLC	N/A
64	100% Complete & Sold	\$142,000	Alberto Avina	7/31/01
65	100% Complete & Sold	\$160,000	Robert C. Sutton	4/19/01
66	100% Complete & Sold	\$140,000	Burt B. Chaney	6/14/01
67	100% Complete & Sold	\$144,500	Mark A. Gambsky	6/27/01
68	100% Complete & Sold	\$165,000	Marcia G. Campbell	4/20/01
69	100% Complete & Sold	\$132,000	Lawrence A. Fatone	4/13/01
61	Estimated Value:	\$9,422,500		

In addition to the 57 sold dwellings there are four model homes, a Plan 2, Plan 3, Plan 4, and Plan 5. To account for model upgrades in building improvements and landscape improvements, we have increased the current base price for each model by \$10,000. The models are on Lots 53 through 56 of Tract 25272.

As indicated, the total value for the 57 sold homes and 4 model homes within Tract 25272 is \$9,422,500.

Valuation – Finished Lots

This section of the report values the 8 finished lots within Tract 25272. All of the lots are situated on the same cul-de-sac street as the model homes and are identified as Lots 52 and 57 through 63 of Tract 25272.

The finished lots are valued by the Static Residual Analysis. The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a specific product is known and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects which will have a typical holding period of one to two years which represents the typical holding period sought by merchant builders. The analysis uses the average base sales price, then deducts the various costs including direct costs of construction, marketing, overhead, and taxes, as well as the required profit margin to attract an investor.

The following page illustrates the Static Residual Analysis for the Cougar Ranch development using an average base sales price and average unit size based on an equal unit distribution of floor plans.

Cougar Ranch Residual Analysis Near Finished Lots

Plan No.	Size	Base Price
2	1,431	\$152,950
3	1,556	\$158,950
4	1,872	\$179,950
5	1,845	\$177,950
Average	1,676	\$167,450

Single Family Detached Homes 6,000 Minimum Square Foot Lots

Land
Ratios

Average Retail Value of Improvements	\$167,450	\$99.91 (Per sq. ft.)
Average Dwelling Size (Sq. Feet)	1,676	
Direct Building Cost Per Sq. Ft.	\$42.00	\$70,392
Indirect Construction Costs	4.00%	\$6,698
General & Administrative Costs	4.00%	\$6,698
Marketing and Warranty Costs	5.00%	\$8,373
Builder's Profit	7.00%	\$11,722
Interest During Holding Period	4.00%	\$6,698
Costs to bring to Finished Lot		<u>\$5,950</u>

Near Finished Lot **\$50,920**
ROUNDED TO **\$51,000**

Finished Lot 0.34

HRA

The Static Residual Analysis is based on in-house information for similar products and input from the builder regarding direct construction costs. The cost per square foot is well supported by similar products in the Riverside County market. The indirect expense ratios are standard in the industry. The builder's profit margin at 7% is also considered typical for the location and characteristics of the product. According to the builder's costs to finish, school fees at \$5,950 per lot are unpaid.

As indicated in the Static Residual Analysis, the near finished lot value is estimated at \$51,000 for the Cougar Ranch development in Improvement Area 9. The estimated lot value for the 8 lots in near finished lot condition is:

$$8 \text{ lots @ } \$51,000 \text{ per lot} = \$408,000$$

The total "As Is" Market Value for Improvement Area 9 within CFD No. 93-1 is \$9,830,500. There are no Fee Credits applicable to this improvement area, therefore the "As Is" Market Value for Improvement Area 9 is estimated at \$9,800,000.

VALUATION – IMPROVEMENT AREA 10A

Improvement Area 10A would be considered the next furthest along in terms of development of the five Improvement Areas. The development of this improvement area is the continuation of product developed on Improvement Area 9, known as Cougar Ranch. As previously mentioned, the improved model homes situated within I. A. 9 are used as the sales office and model homes for development of I. A. 10A. The subject's approved Tentative Tract Map No. 30388 (final tract maps 30388-1 and 30388-2), proposed for 59 lots, is scheduled to record in November 2002.

Cougar Ranch opened for sales in September 2000. As of the survey date on July 19, 2002; 105 homes were released for sale and 88 homes were reported as sold. The 88 sold homes include 31 homes within Improvement Area 10A. The indicated absorption is 4 units per month. Homes range in size from 1,431 to 1,845 square feet and are priced from \$152,950 to \$179,950.

The eastern portion of the site has undergone substantial site improvements. There are 59 lots that have been graded to blue-top condition with water and sewer installed. As of the date of value, trenching was in process for dry utilities. Curbs and gutters were also constructed. The estimated cost to physically finish the 59 lots is approximately \$2,500 per lot. In addition approximately \$18,000 in fees and permits is required. Consideration is given to the prior CFD sewer fee credits for a total of 128 units and the bonded site improvements.

The balance of the site, proposed for 88 lots, is considered in a raw condition with an approved tentative map. According to the cost estimates provided by the builder, the costs to bring the raw land to finished ready to build lots is estimated at \$36,500 per lot. This includes approximately \$21,000 to physically finish the site and \$15,500 per unit for fees and permits

Valuation – Blue-top to Finished Lots

Because the land is in three stages of development, one valuation will be provided for the 7 lots nearing physically finished condition but without vertical construction; a separate valuation for the 88 raw lots; and a valuation for the 52 lots under unit construction. The 59 lots in blue-top to finished lot condition are identified as Lots 1-28 within Phase 1 or proposed Final Tract Map No. 30388-1 and Lots 1-31 within Phase 2 or proposed Final Tract Map No. 30388-2.

The 7 lots without unit construction are valued by the Static Residual Analysis. The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a specific product is known and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects which will have a typical holding period of one to two years, which represents the typical holding period sought by merchant builders. The analysis uses the average base sales price, then deducts the various costs including direct costs of construction, marketing, overhead, and taxes, as well as the required profit margin to attract an investor.

The Static Residual Analysis is based on in-house information for similar products and input from the builder regarding direct construction costs. The cost per square foot is well supported by similar products in the Riverside County market. The indirect expense ratios are standard in the industry. The builder's profit margin at 7% is also considered typical for the location, characteristics of the product and status of construction.

The following page illustrates the Static Residual Analysis for the 7 near physically finished lots within Cougar Ranch using an average base sales price and average unit size based on an equal unit distribution of floor plans.

Cougar Ranch Residual Analysis Blue top-Finished Lot 7 Lots

Plan No.	Size	Base Price
2	1,431	\$152,950
3	1,556	\$158,950
4	1,872	\$179,950
5	1,845	\$177,950
Average	1,676	\$167,450

Single Family Detached Homes 6,000 Minimum Square Foot Lots

Land
Ratios

Average Retail Value of Improvements \$167,450 \$99.91
(Per sq. ft.)

Average Dwelling Size (Sq. Feet)	1,676	
Direct Building Cost Per Sq. Ft.	\$42.00	\$70,392
Indirect Construction Costs	4.00%	\$6,698
General & Administrative Costs	4.00%	\$6,698
Marketing and Warranty Costs	5.00%	\$8,373
Builder's Profit	7.00%	\$11,722
Interest During Holding Period	4.00%	\$6,698
Prior Fee Credits		-\$2,437
Bonded Site Improvements		-\$2,275
Costs to bring to Finished Lot		<u>\$20,500</u>

Between Blue-top & Finished Lot **\$41,082**
ROUNDED TO **\$41,000**

Finished Lot 0.37

HRA

As indicated in the Static Residual Analysis, the near physically finished lot value is estimated at \$41,000 for the 7 lots. The estimated lot value for the 7 lots in near physically finished lot condition is:

$$7 \text{ lots @ } \$41,000 \text{ per lot} = \$287,000$$

Please refer to the next page for the Static Residual Analysis to raw lot condition for the 88 lots in a raw condition. As indicated, the raw land value for the balance of I.A. 10A is \$13,000 per lot. The estimated value for the 88 lots in raw condition with an approved tentative tract map is:

$$88 \text{ lots @ } \$13,000 \text{ per lot} = \$1,144,000$$

The 52 lots under unit construction include slabs, rough plumbing and framing of the first floor. The estimated completion of the units is 40%. This would represent an "as is" value for the units under construction of \$66,980 (average price of \$167,450 X 40% = \$66,980, rounded to \$67,000). The estimated value for the 52 lots under unit construction is:

$$52 \text{ lots/units @ } \$67,000 = \$3,484,000$$

The total "As Is" Market Value for Improvement Area 10A within CFD No. 93-1 is \$4,915,000 plus the estimated Fee Credits from this bond issue of \$711,161, facility reimbursements of \$1,274,500 for the improvements to Marshall Creek Channel and engineering reimbursements of \$89,215. The indicated value is \$6,989,876, rounded to \$7,000,000.

Cougar Ranch Residual Analysis Raw Land w/TTMap 88 Lots

Plan No.	Size	Base Price
2	1,431	\$152,950
3	1,556	\$158,950
4	1,872	\$179,950
5	1,845	\$177,950
Average	1,676	\$167,450

Single Family Detached Homes

Land
Ratios

6,000 Minimum Square Foot Lots

Average Retail Value of Improvements	\$167,450	\$99.91 (Per sq. ft.)
--------------------------------------	-----------	--------------------------

Average Dwelling Size (Sq. Feet)	1,676	
Direct Building Cost Per Sq. Ft.	\$42.00	\$70,392
Indirect Construction Costs	4.00%	\$6,698
General & Administrative Costs	4.00%	\$6,698
Marketing and Warranty Costs	5.00%	\$8,373
Builder's Profit	7.00%	\$11,722
Interest During Holding Period	4.00%	\$6,698
Special Tax Payment		\$1,123
Prior Fee Credits		\$0
Pro-rata share of Channel Imp.		\$6,452
Bonded Site Improvements		\$0
Costs to bring to Finished Lot		<u>\$36,500</u>

Raw Land Value Per Lot	\$12,795
ROUNDED TO	<u>\$13,000</u>

Finished Lot 0.33

VALUATION IMPROVEMENT AREA 12A

Improvement Area 12A is situated north of and adjacent to Improvement Area 10A. The proposed development is similar to that of Improvement Areas 9 and 10A, although the proposed product includes two floor plans larger than what is offered at Cougar Ranch. The improvement area is proposed for 108 single family detached homes that range from 1,591 to 2,470 square feet. Pre-sales began from an on-site trailer around mid-September 2002. Original base sales prices range from \$159,950 to \$225,950 per unit which have been increased by \$3,000 since the sell-out of the first phase.

The site has an approved Tentative Tract Map No. 30541, which is scheduled to record in November 2002. The grading permit was issued on August 27, 2002 and grading is in process. Twenty-three lots are in blue-top condition and the balance of the land is considered to be in a raw condition as of the date of value. *However, this appraisal is contingent upon the map recording in November 2002 and bonds posted for the site improvements.* The builder estimated the lots should be in finished condition by February 2003.

The builder, Victoria Homes, provided general cost information on a per unit basis to improve the lots and build the homes. The estimated costs included \$14,815 per lot to physically improve the lots and \$15,926 per lot for all fees including school fees. The indicated costs to bring the lots from a raw condition to a finished lot condition ready to pull building permits is \$30,741. The builder has estimated \$75,000 (or \$3,260 per lot has been incurred to date for the 23 lots in blue-top condition. Because the appraisal assumes and is contingent upon the recordation of the tract map and bonding of site improvements, we have deducted \$9,000 in the Static Residual Analysis, for the bonded improvements, to arrive at an estimate of value for I. A. 12A.

The builder has estimated direct construction costs at \$50.00 per square foot. The costs to bring the raw land from its current entitlement to finished lots is considered

reasonable and supported by costs of other Improvement Areas and in-house information. Home construction costs are considered high, given costs to build other products in the area. However, the builder's cost estimate is used in the analysis.

Valuation of the Land

Because the proposed product is known and in an active sales program, the land is valued by the Static Residual Analysis. The purpose of this analysis is to estimate a value for the land assuming no direct construction has taken place. This method is particularly helpful when development for a specific product is known and when competitive house sales are available. Reportedly, this analysis is by far the most commonly used by merchant builders when determining price for land.

This analysis is useful for projects that will have a typical holding period of one to two years which represents the typical holding period sought by merchant builders. The analysis uses the average base sales price, then deducts the various costs including direct costs of construction, marketing, overhead, and taxes, as well as the required profit margin to attract an investor.

Please refer to pages 79 and 80 that illustrate the Static Residual Analyses for the Victoria Homes development using an average base sales price and average unit size based on an equal unit distribution of floor plans.

As indicated in the Static Residual Analyses, the blue-top lot value is estimated at \$30,000 per lot and the raw land value is estimated at \$27,000 per lot. Both values assume a portion of the site improvements are bonded for and the final map is recorded. As previously discussed, 10 acres of the site closed escrow in May 2002 and the balance of the site is in escrow and scheduled to close in November 2002. The indicated price paid for the 108 buildable lots is \$9,444 per lot, plus an additional \$2,593 per lot for entitlements. Given the current demand for similar product in the Beaumont/Banning market area, and increasing land prices, we have concluded with the indicated values by the Static Residual Analyses.

HRA

As indicated by the Static Residual Analysis on the next page, the estimated value for the 23 lots in blue-top condition, assuming the map records and site improvements are bonded for in November 2002 is:

$$23 \text{ lots @ } \$30,000 \text{ per lot} = \$690,000$$

As indicated on the Static Residual Analysis on page 80, the estimated value for the 85 lots in a raw condition also assuming the map records and site improvements are bonded for in November 2002 is:

$$85 \text{ lots @ } \$27,000 \text{ per lot} = \$2,295,000$$

The total "As Is" Market Value for Improvement Area 12A within CFD No. 93-1 is \$2,985,000 plus estimated Fee Credits of \$355,581 from this bond issue and reimbursement of \$29,444 for engineering costs, indicates an "As Is" Value for I. A. 12A of \$3,370,025 rounded to \$3,370,000.

Victoria Homes Residual Analysis 23 Blue-top Lots

Plan No.	Size	Base Price	
1	1,591	\$162,950	
2	1,776	\$175,950	
3	1,890	\$186,950	
3 + bonus	2,040	\$201,500	
4	2,469	\$224,950	
5	2,470	\$228,950	
Average	2,039	\$196,875	
			Land Ratios
Single Family Detached Homes			
<i>6,000 Minimum Square Foot Lots</i>			
Average Retail Value of Improvements		\$196,875	\$96.54 (Per sq. ft.)
Average Dwelling Size (Sq. Feet)	2,039		
Direct Building Cost Per Sq. Ft.	\$50.00	\$101,967	
Indirect Construction Costs	3.00%	\$5,906	
General & Administrative Costs	4.00%	\$7,875	
Marketing and Warranty Costs	5.00%	\$9,844	
Builder's Profit	7.00%	\$13,781	
Interest During Holding Period	4.00%	\$7,875	
Special Tax Payment		\$1,123	
Prior Fee Credits		\$0	
Bonded Site Improvements		-\$9,000	
Costs to bring to Finished Lot		\$27,481	
Blue-top Lot Value		\$30,023	
ROUNDED TO		\$30,000	
			Finished Lot 0.29

Victoria Homes Residual Analysis

85 Raw Lots

Plan No.	Size	Base Price	
1	1,591	\$162,950	
2	1,776	\$175,950	
3	1,890	\$186,950	
3 + bonus	2,040	\$201,500	
4	2,469	\$224,950	
5	2,470	\$228,950	
Average	2,039	\$196,875	
			Land Ratios
Single Family Detached Homes			
<i>6,000 Minimum Square Foot Lots</i>			
Average Retail Value of Improvements		\$196,875	\$96.54 (Per sq. ft.)
Average Dwelling Size (Sq. Feet)	2,039		
Direct Building Cost Per Sq. Ft.	\$50.00	\$101,967	
Indirect Construction Costs	3.00%	\$5,906	
General & Administrative Costs	4.00%	\$7,875	
Marketing and Warranty Costs	5.00%	\$9,844	
Builder's Profit	7.00%	\$13,781	
Interest During Holding Period	4.00%	\$7,875	
Special Tax Payment		\$1,123	
Prior Fee Credits		\$0	
Bonded Site Improvements		-\$9,000	
Costs to bring to Finished Lot		<u>\$30,741</u>	
Raw Land Value Per Lot		\$26,763	
ROUNDED TO		<u>\$27,000</u>	
			Finished Lot 0.29

VALUATION – IMPROVEMENT AREA 14B

Improvement Area 14B is the conventional housing component of a larger master planned community referred to as Oak Valley Greens. A portion of the planned community has been built and homes have sold to the ultimate homeowners. This portion of the appraisal covers five tentative tract maps proposed in total for 311 dwelling units. As of the appraisal date, two final tracts are under the ownership of LenOne, Inc.; one tentative tract is under the ownership of Greystone Homes, Inc. and two tentative tracts are under the ownership of Temecula Valley, LLC. Costs to finish the lots have been provided for all tracts by the ultimate builder of all the tracts, Greystone Homes. A copy of costs used in the following analysis is retained in our work files.

Tract 29183 is proposed for 64 lots with a minimum lot sizes of 6,000 square feet that are in a blue-top condition with water and sewer installed. The remaining site construction is anticipated to be complete within 90 days from the date of value. According to the City's engineer, this tract has recorded and bonds have been posted as of the date of value. The cost to finish, as estimated by Greystone Homes, is \$21,000 per lot. Consideration is given to the boned site improvements estimated at \$3,500 per lot and the prior and existing Fee Credits estimated at \$7,348 per unit according to the City's engineer.

The tract is reported to be improved with a continuation of both The Farm and The Fairways products. The Farm offers homes that range from 1,362 square feet to 2,671 square feet. The Fairways product ranges from 1,760 square feet to 3,092 square feet. Current sales prices range from \$187,990 to \$229,990 for The Fairways product and from \$164,315 to \$209,315 for The Farm product. As of the survey date, July 19, 2002, The Farm product, currently in a sales program at an adjacent site, had sold 35 of the 64 homes.

HRA

Tract 29182 is proposed for 73 lots with a minimum lot size of 5,500 square feet that are in a blue-top condition with water and sewer installed. The remaining site construction is anticipated to be complete within 90 days from the date of value. According to the City's engineer, this tract has recorded and bonds have been posted as of the date of value. The cost to finish, as estimated by Greystone Homes, is \$21,000 per lot. We have estimated \$3,500 per lot as bonded site improvement. Prior and existing Fee Credits are estimated at \$7,348 per unit, according to the City's engineer. Consideration is given to the bonded site improvements and the Fee Credits in the analysis.

The tract is reported to be improved with a continuation of The Reserve product. The Reserve offers homes that range from 1,190 square feet to 2,358 square feet. Current sales prices range from \$150,490 to \$182,490. As of the survey date, July 19, 2002, The Reserve product, currently in a sales program at an adjacent site, had sold 55 of the 66 homes.

Tentative Tracts 29180 and 29181 are in a rough graded condition. Timing to begin site development is during 2003. The product to be built on TTMaps 29180 and 29181 is unknown as of the date of appraisal. The costs to bring the land from its "As Is" condition to a finished lot condition is estimated at \$33,000 per lot by Greystone Homes. Prior and existing Fee Credits are estimated at \$7,348 per unit, according to the City's engineer, which are given consideration in the analysis.

For the purpose of the following analysis the appraisers have used an average size of 2,100 square feet with an average sales price of \$195,000 per unit. This is based on a review of all products selling within this improvement area and considered to be the average size and price of the floor plans.

Proposed Tentative Tract Map 29202 is planned for nineteen - 30,000 square foot lots south of Brookside Avenue and adjacent to the Oak Valley Greens golf course, older single family detached dwellings and the new proposed age-restricted product

within I. A. 14A. As of the date of appraisal, the proposed product for the lots was unknown. The builder anticipated either a tract product with homes over 3,000 square feet or custom home development. Costs to bring the land from its "As Is" condition to a finished lot condition is estimated at \$52,446 per lot by Greystone Homes. Fee Credits are estimated at \$7,348 per lot according to the City's engineer.

For the purpose of the following analysis the appraisers have used an average unit size of 3,300 square feet with an average sales price of \$300,000. The pricing is based on a review of larger proposed homes in the Beaumont market with consideration given to the larger lots and proposed exclusivity of the development. This market has not been tested in the Beaumont/Banning area.

Valuation – 311 Lots in Various Stages of Construction

As described, the land is in various stages of site construction and proposed for different products. The land proposed for 311 dwelling units is valued by the Developmental Analysis, which provides an estimated value of I. A. 14B.

Developmental Analysis

Because Improvement Area 14B consists of several proposed tracts, we have completed a Developmental Analysis for Final Tracts 29183 and 29182, Tentative Tracts 29181 and 29180 and proposed Tentative Tract Map 29202. Although there are essentially 3 ownerships as of the date of value, Greystone Homes is the owner or builder for all of the tracts. The Developmental Analysis is based upon the premise that one would not pay more for land than its contributory value to the economic enterprise of developing the parcel into single-family homes. It essentially treats land as one of the raw materials required to develop a subdivision. If one is able to prepare a reasonably reliable forecast of the related prices of the merchant builder land and identify all the costs and required profit margin, what is residual or left over is what is available to acquire the undeveloped land.

In the case of the subject property, the residual value indicated by this discounted cash flow reflects the "As Is" condition of the land as of the valuation date. The steps in the Developmental Analysis are as follows:

1. Analyze the highest and best use and determine the land plan that will be utilized in the Developmental Analysis.
2. Estimate the home prices that can be anticipated for each product.
3. Estimate the absorption rate for the homes.
4. Estimate the direct and indirect costs, including marketing and G&A.
5. Estimate the required annual before-tax discount rate required to attract a developer/builder in light of the risks and uncertainties.

This Developmental Analysis assumes the highest and best use of the property is the land use plan, as described in this report. The analysis considers the sale of homes to homeowners. The estimated home prices are those provided by the builder, which are similar to that used in the market study prepared by Empire Economics. We have also reviewed the sales of similar products in the subject market area and found the prices to be supported. The estimated absorption of the homes is provided by Empire Economics and considered to be reasonable. Direct construction unit costs have also been estimated by the builder and considered to be reasonable. Indirect construction costs, marketing and G & A are industry standards. Costs to bring the land from its "As Is" condition to a finished lot ready to issue building permit condition have been provided by the builder. The costs appear reasonable, based on costs of similar products in the subject market area. The bonded site improvements are given consideration as a separate line item. The prior and existing Fee Credits are also given consideration as a separate line item within the discounted cash flow. Any variance in costs could have an impact on the value conclusions presented in this report.

The final step in our discounted cash flow analysis is to estimate the appropriate discount rate in light of uncertainties and risks. There are various factors that go into selecting a discount rate for master planned communities and large subdivisions such as

the subject. Typically, when valuing a property, we assume an all cash transaction and then discount for time, risk and required profit margin. A publication from the Real Estate Research Corporation indicates the rate of return for a land investment assuming a three-to-five year holding period is 20% of gross sales. The subject property is considered larger than a merchant builder parcel, but significantly smaller than a master planned community.

We have also reviewed a survey that had 16 respondents. Two questions were presented to the land developer and merchant builder. The first was the anticipated profit margin as a percent of gross revenues. The anticipated holding period for the master planner/developer is three-to-eight years. Land developers were looking for a 20% to 30% return on gross sales, with an average of 22% to 25%. This is based on raw land prior to infrastructure. At this same time frame, the merchant builder was looking for a profit as a percentage of gross revenues of 6% to 10% with an average of 8%. The estimated holding period was one to two years for the merchant builder. In addition, the preponderance of input regarding inflation/appreciation rates was 3% to 4% for revenue and 2% to 3% for costs.

Estimating value by use of a discounted cash flow analysis requires various assumptions and judgment by the appraiser. It is the appraisers' function to reflect the motives of real estate investors. The cash flow model needs to reflect the actual state of the market as of a specific time.

One negative aspect of a discounted cash flow is that often this analysis requires absorption rates that have not been proven and revenues that are proposed but not tested. However, in the case of the subject property, we have the benefit of market response both in sales activity and pricing of similar subdivisions within the subject's market area. This discounted cash flow reflects the current price structure, in a healthy market. The projected holding period is estimated for 5 years.

The discounted cash flow reflects a 5-year absorption period for the subject. A six to eight-year holding period would be considered a typical period for a land developer. To reflect market risks in both the model assumptions and the discount rate results in the property being penalized twice for the same risk. The model assumptions reflect pricing and absorption for the 5-year sales program and the build-out of Improvement Area 14B. There is little additional risk in the model assumptions other than possible economic factors in the future.

To build a discount rate, three components must be addressed: safe rate, risk rate and inflation rate. The safe rate is defined as that compensation paid to a lender or investor for the use of money. The risk rate is the compensation paid to the lender or investor to offset possible losses that occur when a borrower or investment fails to meet periodic payments or pay back borrowed funds. The inflation rate is defined as that compensation paid to the lender or investor to offset losses that may occur to the purchasing power of the payments received and the principal returned.

As a guide in estimating a discount rate appropriate for the subject property, we have begun with a safe rate that has averaged between 3% and 5% over time. Over the past decade, improved real estate investments have had a risk rate between 1.25 and 2.5 times the safe rate, while vacant or subdivision land has had a risk rate between 3 and 5 times the safe rate. Inflation has typically ranged between 3% and 5%. For the subject we have assumed a safe rate of 4%, a real estate risk rate of 4.0 times the safe rate and inflation of 3%, the indicated discount rate is: $(4\% \times 4) + 3\% = 19\%$.

For purposes of the discounted cash flow analysis, we have used a 3% annual adjustment in revenue and development costs. This is based on an average annual percentage change for a complete business cycle of, say, 8 to 10 years.

Based on the time line for home sales and interviews with informed investors we have concluded with a discount rate of 20% with appreciation for the subject property in light of the entitlements, infrastructure time-line, proposed products and specific market.

HRA

Please refer to the following pages that illustrate the discounted cash flow analysis for the "As Is" value of the undeveloped land proposed for 311 units.

The Developmental Analysis indicates an "As Is" value of \$14,000,000 for the 311 proposed units in I. A. 14B.

CFD 93-1 IMPROVEMENT AREA 14B
DEVELOPMENTAL ANALYSIS

<u>Product Description</u>	<u>Price/Unit</u>	<u>No. Units</u>	<u>Sept-Feb 2003</u>	<u>Mar-Aug 2003</u>	<u>Sept-Feb 2004</u>	<u>Mar-Aug 2004</u>	<u>Sept-Feb 2005</u>	<u>Mar-Aug 2005</u>
Tentative Tract 29183 Average Unit Size 2,114 SF TTMap 29183 Closings	\$195,448	64	0.0	1.0	2.0	3.0	4.0	5.0
			64	0	0	0	0	0
Tentative Tract 29182 Average Unit Size 1,819 SF TTMap 29182 Closings	\$168,240	73	0	64	0	0	0	0
			40	33	0	0	0	0
Tentative Tracts 29181 & 29180 Average Unit Size 2,100 SF TTMaps 29181 & 29180 Closings	\$195,000	155	0	50	50	55	0	0
			0	0	50	50	55	0
Tentative Tract 29202 Average Unit Size 3,300 SF TTMap 29202 Closings	\$300,000	19	0	0	2	2	3	3
			0	0	0	2	2	3
Total Sold Residential Units I. A. 14B		311	0	104	83	52	57	3
Unsold Residential Units Per Semi-Annual Period			311	207	124	72	15	12

<u>Revenue/Product</u>								
Tentative Tract 29183	\$0	\$12,508,672	\$0	\$0	\$0	\$0	\$0	\$0
Tentative Tract 29182	\$0	\$6,729,600	\$0	\$5,551,920	\$0	\$0	\$0	\$0
Tentative Tracts 29181 & 29180	\$0	\$0	\$0	\$9,750,000	\$10,725,000	\$0	\$0	\$0
Tentative Tract 29202	\$0	\$0	\$0	\$0	\$600,000	\$600,000	\$900,000	\$900,000
TOTAL REVENUE (Adjusted for Inflation)	\$0	\$19,238,272	\$15,301,920	\$10,350,000	\$11,325,000	\$12,027,334	\$900,000	\$970,301
Inflation factor of 3% annually - Revenues	1.000000	1.015156	1.030542	1.046161	1.062016	1.078112	1.094216	1.110320
Inflation factor of 3% annually - Costs	1.000000	1.015156	1.030542	1.046161	1.062016	1.078112	1.094216	1.110320

<u>Expenses</u>								
Home Construction for TTMap 29183 est. @ \$43.70/SF	\$5,912,435	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home Construction for Creekside est. @ \$43.70/SF	\$3,179,612	\$2,662,937	\$0	\$0	\$0	\$0	\$0	\$0
Home Construction for TTMaps 29181 & 29180 est. @ \$43.70/SF	\$0	\$4,658,043	\$4,728,641	\$5,280,339	\$5,831,037	\$6,381,735	\$6,932,433	\$7,483,131
Home Construction for TTMap 29202 est. @ \$48.65/SF	\$0	\$0	\$330,897	\$335,912	\$340,927	\$345,942	\$350,957	\$355,972
Costs to Finished Lot @ \$23.123/lot & \$52,500/lot	\$2,877,000	\$2,596,261	\$2,635,610	\$1,043,545	\$0	\$0	\$0	\$0
Existing & Prior Fee Credits	(\$2,285,356)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bonded Site Improvements	(\$479,500)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less G & A Costs @ 4%	\$0	\$781,194	\$630,771	\$433,110	\$240,000	\$38,812	\$38,812	\$38,812
Less Marketing & Warranty Costs 5%	\$0	\$976,492	\$788,463	\$541,388	\$601,367	\$661,342	\$721,317	\$781,292
Special Tax Undeveloped Land	\$0	\$0	\$0	\$0	\$11,840	\$11,840	\$11,840	\$11,840
Total Expenses	\$9,204,191	\$11,674,928	\$9,114,382	\$7,634,294	\$1,605,804	\$616,149	\$354,152	\$219,900

Net Before Discounting	(\$9,204,191)	\$7,854,919	\$6,654,885	\$3,193,468	\$10,421,530	\$13,512,062	\$16,602,594	\$19,693,126
Present Worth Factor at 20%	1.000000	0.909091	0.826446	0.751315	0.683013	0.620921	0.566942	0.513148
	(\$9,204,191)	\$7,140,836	\$5,499,905	\$2,399,300	\$7,118,045	\$8,250,000	\$9,550,000	\$10,900,000
Tracts 29180-29183 & 29202		\$14,155,337						
Rounded To		\$14,000,000						
Value/Lot		\$45,016						

CFD 93-1 IMPROVEMENT AREA 14B
DEVELOPMENTAL ANALYSIS

Product Description	Price/Unit	No. Units	Sept-Feb 2006	Mar-Aug 2006	Sept-Feb 2007	Mar-Aug 2007	Total
Tentative Tract 29183 Average Unit Size 2,114 SF TTMap 29183 Closings	\$195,448	64	60	70	80	90	64
Tentative Tract 29182 Average Unit Size 1,819 SF TTMap 29182 Closings	\$168,240	73	0	0	0	0	64
Tentative Tracts 29181 & 29180 Average Unit Size 2,100 SF TTMaps 29181 & 29180 Closings	\$195,000	155	0	0	0	0	73
Tentative Tract 29202 Average Unit Size 3,300 SF TTMap 29202 Closings	\$300,000	19	4	4	1	0	73
Total Sold Residential Units I. A. 14B Unsold Residential Units Per Semi-Annual Period		311	3	4	4	1	19

Revenue/Product							
Tentative Tract 29183	\$0	\$0	\$0	\$0	\$0	\$0	\$12,508,672
Tentative Tract 29182	\$0	\$0	\$0	\$0	\$0	\$0	\$12,281,520
Tentative Tracts 29181 & 29180	\$0	\$0	\$0	\$0	\$0	\$0	\$30,225,000
Tentative Tracts 29181 & 29180	\$900,000	\$1,200,000	\$1,200,000	\$1,200,000	\$300,000	\$5,700,000	\$5,700,000
TOTAL REVENUE (Adjusted for Inflation)	\$900,000	\$1,200,000	\$1,332,985	\$1,353,054	\$300,000	\$60,715,192	\$63,138,816

Inflation factor of 3% annually - Revenues
Inflation factor of 3% annually - Costs

Expenses

Home Construction for TTMap 29183 est. @ \$43.70/SF	\$0	\$0	\$0	\$0	\$0	\$0	\$5,912,435
Home Construction for Creekside est. @ \$43.70/SF	\$0	\$0	\$0	\$0	\$0	\$0	\$5,842,549
Home Construction for TTMaps 29181 & 29180 est. @ \$43.70/SF	\$0	\$0	\$0	\$0	\$0	\$0	\$14,667,023
Home Construction for TTMap 29202 est. @ \$48.65/SF	\$702,766	\$713,347	\$181,022	\$181,022	\$0	\$0	\$3,294,704
Costs to Finished Lot @ \$23,123/lot & \$52,500/lot	\$0	\$0	\$0	\$0	\$0	\$0	\$9,152,417
Existing & Prior Fee Credits	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,285,356)
Bonded Site Improvements	\$0	\$0	\$0	\$0	\$0	\$0	(\$479,500)
Less G & A Costs @ 4%	\$39,396	\$53,319	\$54,122	\$54,122	\$13,734	\$13,734	\$2,525,553
Less Marketing & Warranty Costs 5%	\$49,245	\$66,649	\$67,653	\$67,653	\$17,168	\$17,168	\$3,156,941
Special Tax Undeveloped Land	\$7,245	\$4,064	\$821	\$821	\$0	\$0	\$33,534
Total Expenses	\$798,652	\$837,379	\$303,617	\$303,617	\$30,902	\$30,902	\$41,820,299

Net Before Discounting
Present Worth Factor at 20%

VALUATION – IMPROVEMENT AREA 14A

Improvement Area 14A is the age-restricted or Active Adult component of the master planned community of Oak Valley Greens. As previously illustrated in the Improvement Description section of this report, I. A. 14A is proposed for 1,600 dwellings which includes single family homes on various lots sizes and attached products. There are currently 548 attached units and 1,052 single family detached homes planned for development. The improvement area consists of 16 tentative tract maps. Of the 16 maps, 10 are undesignated at the time of this appraisal. The remaining six tentative tract maps are approved. All of the land is in a raw condition as of the date of value. Of the eight proposed different lot sizes or densities, four have preliminary products sizes. Grading of the site is scheduled to begin in late September 2002. Construction of the model homes is scheduled to begin at the end of 2002 and construction of production units is scheduled to begin in late spring of 2002.

Improvement Area 14A, plus the nineteen 30,000 square foot lots that are a part of I. A. 14B sold on July 23, 2002 for a reported \$19,839,313 or \$12,243 per proposed unit. According to the current owners, Greystone Homes, Improvement Area 14A, along with two tracts within I. A. 14B; Tentative Tracts 29180 and 29181 are under a signed Letter of Intent as of October 25, 2002 for \$38,400,000 to Pulte Homes (Del Webb). The transaction is scheduled to close escrow five days after the due diligence period or on November 25, 2002. The reported conditions and terms of the agreement include a \$27,000,000 payment at close of escrow with the balance due within one year. The seller, Greystone Homes, will be responsible for obtaining all appropriate entitlements and improvement drawings.

Developmental Analysis

Improvement Area 14A is a master planned community proposed for 1,600 dwelling units on over 335 acres in a raw condition. The Developmental Analysis is the appropriate method to value master planned communities when product and costs are available. The Developmental Analysis is based upon the premise that one would not pay

HRA

more for land than its contributory value to the economic enterprise of developing the parcel into single-family homes. It essentially treats land as one of the raw materials required to develop a master planned community. If one is able to prepare a reasonably reliable forecast of the related prices of the merchant builder land and identify all the costs and required profit margin, what is residual or left over is what is available to acquire the undeveloped land.

In the case of the subject property, the residual value indicated by this discounted cash flow reflects the "As Is" condition of the land in a raw condition. The steps in the Developmental Analysis are as follows:

1. Analyze the highest and best use and determine the land plan that will be utilized in the Developmental Analysis.
3. Estimate the home prices that can be anticipated for each product.
3. Estimate the absorption rate for the homes.
4. Estimate the direct and indirect costs, including marketing and G&A.
6. Estimate the required annual before-tax discount rate required to attract a developer in light of the risks and uncertainties.

This Developmental Analysis assumes the highest and best use of the property is the land use plan, as described in this report. The analysis considers the sale of homes to homeowners. The estimated average home sizes and prices are those provided by the City's consultant, Empire Economics. We have also reviewed the sales of similar products in the subject market area and found the prices to be supported. The estimated absorption of the homes is provided by Empire Economics and considered to be reasonable. Direct construction unit costs have also been estimated by the developer and considered to be reasonable. Indirect construction costs, marketing and G & A are industry standards. Costs to bring the land from its "As Is" condition to a finished lot ready to issue building permit condition have been provided by the developer. The costs appear reasonable, based on costs of similar products in the subject market area. Any variance in costs could have an impact on the value conclusions presented in this report.

The final step in our discounted cash flow analysis is to estimate the appropriate discount rate in light of uncertainties and risks. There are various factors that go into selecting a discount rate for master planned communities and large subdivisions such as the subject. Typically, when valuing a property, we assume an all cash transaction and then discount for time, risk and required profit margin. A publication from the Real Estate Research Corporation indicates the rate of return for a land investment assuming a three-to-five year holding period is 20% of gross sales.

We have also reviewed a survey that had 16 respondents. Two questions were presented to the land developer and merchant builder. The first was the anticipated profit margin as a percent of gross revenues. The anticipated holding period for the master planner/developer is three-to-eight years. Land developers were looking for a 20% to 30% return on gross sales, with an average of 22% to 25%. This is based on raw land prior to infrastructure. At this same time frame, the merchant builder was looking for a profit as a percentage of gross revenues of 6% to 10% with an average of 8%. The estimated holding period was one to two years for the merchant builder.

Recent interviews with land developers have indicated the following comments:

A representative from Hon Development, Orange County, indicated that minimum IRR requirements are 20% to 25%. For a large project with a projected 8 to 10 year hold, the return would be higher, say in the mid to upper 20's. Hon Development has participated in both smaller scale residential community developments and very large scale, full integrated master planned community developments with a wide variety of user types.

A representative from Grubb and Ellis who is involved in the sale of Northlakes, a 1,300 acre proposed, master planned community in Castaic, Los Angeles County indicated that the undisclosed buyer's IRR requirement was approximately 30%. He stated that this is fairly typical of the market for partially entitled master planned community land of this size and development range.

A representative of Dale Poe Development who is the master land developer for Stevenson Ranch in Santa Clarita and in the business of buying, selling and developing land said a 25% IRR for land development is typical. For properties with significant infrastructure costs, he would expect a slightly higher IRR.

A representative of Newhall Land and Farming indicated that IRR's for land development deals should be in the low 20% range to 30% on an unleveraged basis, depending upon risk and length of the development period. Newhall Land is the master planned community developer of the community of Valencia and in the process of another large master planned community in California.

A representative of MSP California, LLC, was also interviewed. It is a company based in Denver, Colorado, but involved in several Southern California large land deals, mostly in Riverside County and a few in Santa Clarita. It considers itself a risk taker and expects the higher returns for entitling properties. For large land deals from raw unentitled to tentative map stage, the representative would expect an IRR of 35%, unleveraged or leveraged. From tentative map to pad sales to merchant builders, an unleveraged IRR of 25% to 30% would be expected.

A representative of Ekotec was also interviewed. Ekotec is an engineer and consultant to master plan developers including The Irvine Company. For unentitled property, the IRR requirements would be 20% to 30%. The lower end of the range would reflect those properties close to tentative maps.

A representative from Providence Realty Group who works with Security Capital and other private venture fund sources in acquiring land and joint venture partnerships in California and throughout the Pacific Southwest was also interviewed. He indicated that a yield rate in the low 20% range is required to attract capital to longer-term land holdings.

We also interviewed a representative from ESE Land Company, formerly James Warmington Development. He indicated that merchant builder yield requirements were in the 20% range for traditionally financed tract developments. Larger land holding would require 25% to 30% depending on the goals/patience of the funding partner. Environmentally challenged or politically risky development could well run in excess of a 35% IRR with the possibility that some early entitlement/political work may be necessary before cooperative capital would become interested.

In addition, the preponderance of input regarding inflation/appreciation rates was 3% to 4% for revenue and 2% to 3% for costs.

Estimating value by use of a discounted cash flow analysis requires various assumptions and judgment by the appraiser. It is the appraisers' function to reflect the motives of real estate investors. The cash flow model needs to reflect the actual state of the market as of a specific time.

HRA

One negative aspect of a discounted cash flow is that often this analysis requires absorption rates that have not been proven and revenues that are proposed but not tested. However, in the case of the subject property, we have the benefit of market response both in sales activity and pricing of similar subdivisions within the subject's market area. This discounted cash flow reflects the current price structure, in a healthy market. The projected holding period is estimated for 10 years.

The discounted cash flow reflects a 10-year absorption period for the subject. A six to eight-year holding period would be considered a typical period for a land developer. To reflect market risks in both the model assumptions and the discount rate results in the property being penalized twice for the same risk. The model assumptions reflect pricing and absorption for the 10 year sales program and the build-out of Improvement Area 14A. There is little additional risk in the model assumptions other than possible economic factors in the future.

To build a discount rate, three components must be addressed: safe rate, risk rate and inflation rate. The safe rate is defined as that compensation paid to a lender or investor for the use of money. The risk rate is the compensation paid to the lender or investor to offset possible losses that occur when a borrower or investment fails to meet periodic payments or pay back borrowed funds. The inflation rate is defined as that compensation paid to the lender or investor to offset losses that may occur to the purchasing power of the payments received and the principal returned.

As a guide in estimating a discount rate appropriate for the subject property, we have begun with a safe rate that has averaged between 3% and 5% over time. Over the past decade, improved real estate investments have had a risk rate between 1.25 and 2.5 times the safe rate, while vacant or subdivision land has had a risk rate between 3 and 5 times the safe rate. Inflation has typically ranged between 3% and 5%. For the subject we have assumed a safe rate of 4%, a real estate risk rate of 5.0 times the safe rate and inflation of 3%, the indicated discount rate is: $(4\% \times 5) + 3\% = 23\%$.

HRA

For purposes of the discounted cash flow analysis, we have used a 3% annual adjustment in revenue and development costs. This is based on an average annual percentage change for a complete business cycle of, say, 8 to 10 years.

Based on the time line for home sales and interviews with informed investors we have concluded with a discount rate of 23% with appreciation for the subject property in light of the entitlements, infrastructure time-line, proposed products, time-line for absorption, and specific market. Please refer to the following pages which illustrate the discounted cash flow analysis for the "As Is" value of the undeveloped land, proposed for 1,600 units.

The Developmental Analysis indicates an "As Is" value of \$24,000,000 for the 1,600 proposed units, which gives consideration to \$8,733,682 of current Fee Credits and reimbursements of \$28,175 for engineering costs, according to the City's engineer. We have estimated, along with input from the City's Financial Advisor, when the value to lien would support bond funds released. If the timing or amount of the bond funds should change, the estimated value would likely change. The escrowed funds would not be available until the 3 to 1 value to lien ratio is satisfied.

CFD 93-1 IMPROVEMENT AREA 14A
DEVELOPMENTAL ANALYSIS

Product Description	No. Units	Price/Unit	Sept-Feb 2003	Mar-Aug 2003	Sept-Feb 2004	Mar-Aug 2004	Sept-Feb 2005	Mar-Aug 2005
Detached Product	1,052	\$187,500	0.0	1.0	2.0	3.0	4.0	5.0
Average Unit Size 1,665 SF			25	25	50	50	62	63
Detached Product Closings			0	25	25	50	50	62
Attached Product	548	\$130,000	0	0	25	25	25	25
Average Unit Size 1,100 SF								
Attached Product Closings			0	0	0	25	25	25
Total Sold Residential Units I. A. 14A	1,600		0	25	25	75	75	87
Unsold Residential Units Per Semi - Annual Period			1,600	1,575	1,550	1,475	1,400	1,313
Revenue/Product								
Detached Product			\$0	\$4,687,500	\$4,687,500	\$9,375,000	\$9,375,000	\$11,625,000
Attached Product			\$0	\$0	\$0	\$3,250,000	\$3,250,000	\$3,250,000
			\$0	\$4,687,500	\$4,687,500	\$12,625,000	\$12,625,000	\$14,875,000
TOTAL REVENUE (Adjusted for Inflation)			\$0	\$4,758,544	\$4,830,664	\$13,207,778	\$13,407,955	\$16,036,918
Inflation factor of 3% annually - Revenues	1.000000		1.000000	1.015156	1.030542	1.046161	1.062016	1.078112
Inflation factor of 3% annually - Costs	1.000000		1.000000	1.015156	1.030542	1.046161	1.062016	1.078112
Expenses								
Home Construction Detached Product est. @ \$43/SF	\$1,789,875		\$1,789,875	\$1,817,002	\$3,689,082	\$3,744,993	\$4,714,173	\$4,862,809
Home Construction Attached Product est. @ \$48/SF	\$0		\$0	\$0	\$1,360,315	\$1,380,932	\$1,401,861	\$1,423,108
Costs to bring to Finished Lot Condition @ \$47,230,000	\$7,871,180		\$7,871,180	\$7,990,476	\$8,111,579	\$8,234,519	\$8,359,321	\$8,486,015
Less G & A Costs @ 3%	\$0		\$0	\$142,756	\$144,920	\$396,233	\$402,239	\$481,108
Less Marketing & Warranty Costs 5%	\$0		\$0	\$237,927	\$241,533	\$660,389	\$670,398	\$801,846
Plus Fee Credits & Eng. Cost Reimbursement	(\$2,500,000)		(\$2,500,000)	\$0	(\$6,261,857)	\$0	\$0	\$0
Special Tax Undeveloped Land	\$0		\$0	\$0	\$0	\$0	\$731,745	\$693,067
Total Expenses	\$7,161,055		\$7,161,055	\$10,188,162	\$7,285,572	\$14,417,066	\$16,279,737	\$16,747,952
Net Before Discounting	(\$7,161,055)		(\$7,161,055)	(\$5,429,618)	(\$2,454,908)	(\$1,209,289)	(\$2,871,782)	(\$711,034)
Present Worth Factor at 23%	1.000000		1.000000	0.896861	0.804360	0.721399	0.646994	0.580264
	(\$7,161,055)		(\$7,161,055)	(\$4,869,612)	(\$1,974,629)	(\$872,379)	(\$1,858,027)	(\$412,587)
AS IS VALUE	\$24,122,077		\$24,122,077	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000
				Rounded To				
				Value/Raw Lot				
								\$15,000

**CFD 93-1 IMPROVEMENT AREA 14A
DEVELOPMENTAL ANALYSIS**

Product Description	Price/Unit	No. Units	Sept-Feb 2006	Mar-Aug 2006	Sept-Feb 2007	Mar-Aug 2007	Sept-Feb 2008	Mar-Aug 2008
Detached Product Average Unit Size 1,665 SF	\$187,500	1,052	6.0 75	7.0 75	8.0 85	9.0 90	10.0 85	11.0 90
Detached Product Closings			63	75	75	85	90	85
Attached Product Average Unit Size 1,100 SF	\$130,000	548	25	37	38	37	38	37
Attached Product Closings			25	25	37	38	37	38
Total Sold Residential Units I. A. 14A		1,600	88	100	112	123	127	123
Unsold Residential Units Per Semi - Annual Period			1,225	1,125	1,013	890	763	640
Revenue/Product								
Detached Product			\$11,812,500	\$14,062,500	\$14,062,500	\$15,937,500	\$16,875,000	\$15,937,500
Attached Product			\$3,250,000	\$3,250,000	\$4,810,000	\$4,940,000	\$4,810,000	\$4,940,000
			\$15,062,500	\$17,312,500	\$18,872,500	\$20,877,500	\$21,685,000	\$20,877,500
TOTAL REVENUE (Adjusted for Inflation)			\$16,483,559	\$19,231,082	\$21,279,596	\$23,894,747	\$25,192,622	\$24,619,682
Inflation factor of 3% annually - Revenues			1.094344	1.110821	1.127545	1.144521	1.161753	1.179245
Inflation factor of 3% annually - Costs			1.094344	1.110821	1.127545	1.144521	1.161753	1.179245
Expenses								
Home Construction Detached Product est. @ \$43/SF			\$5,876,218	\$5,984,690	\$6,861,761	\$7,374,781	\$7,069,937	\$7,598,522
Home Construction Attached Product est. @ \$48/SF			\$1,444,534	\$2,170,099	\$2,262,307	\$2,235,937	\$2,330,942	\$2,303,773
Costs to bring to Finished Lot Condition @ \$47,230,000			\$0	\$0	\$0	\$0	\$0	\$0
Less G & A Costs @ 3%			\$494,507	\$576,932	\$638,388	\$716,842	\$755,779	\$738,590
Less Marketing & Warranty Costs 5%			\$824,178	\$961,554	\$1,063,980	\$1,194,737	\$1,259,631	\$1,230,984
Plus Fee Credits & Eng. Cost Reimbursement			\$0	\$0	\$0	\$0	\$0	\$0
Special Tax Undeveloped Land			\$652,956	\$605,475	\$550,439	\$488,210	\$422,492	\$357,696
Total Expenses			\$9,292,393	\$10,278,751	\$11,376,874	\$12,010,508	\$11,838,781	\$12,229,565
Net Before Discounting			\$7,191,167	\$8,952,331	\$9,902,722	\$11,884,239	\$13,353,841	\$12,390,116
Present Worth Factor at 23%			0.520416	0.466741	0.418602	0.375428	0.336706	0.301979
			\$3,742,400	\$4,178,420	\$4,145,297	\$4,461,671	\$4,496,323	\$3,741,553

**CFD 93-1 IMPROVEMENT AREA 14A
DEVELOPMENTAL ANALYSIS**

<u>Product Description</u>	<u>Price/Unit</u>	<u>No. Units</u>	<u>Sept-Feb 2009</u>	<u>Mar-Aug 2009</u>	<u>Sept-Feb 2010</u>	<u>Mar-Aug 2010</u>	<u>Sept-Feb 2011</u>	<u>Mar-Aug 2011</u>
Detached Product	\$187,500	1,052	120	130	140	150	160	170
Average Unit Size 1,665 SF			85	90	52	50	0	0
Detached Product Closings			90	85	90	52	50	0
Attached Product	\$130,000	548	38	37	38	37	38	20
Average Unit Size 1,100 SF								
Attached Product Closings			37	38	37	38	37	38
Total Sold Residential Units I. A. 14A		1,600	127	123	127	90	87	38
Unsold Residential Units Per Semi - Annual Period			513	390	263	173	86	48
Revenue/Product								
Detached Product			\$16,875,000	\$15,937,500	\$16,875,000	\$9,750,000	\$9,375,000	\$0
Attached Product			\$4,810,000	\$4,940,000	\$4,810,000	\$4,940,000	\$4,810,000	\$4,940,000
			\$21,685,000	\$20,877,500	\$21,685,000	\$14,690,000	\$14,185,000	\$4,940,000
TOTAL REVENUE (Adjusted for Inflation)			\$25,956,933	\$25,366,611	\$26,744,432	\$18,390,170	\$18,025,333	\$6,371,929
Inflation factor of 3% annually - Revenues			1.196999	1.215021	1.233315	1.251884	1.270732	1.289864
Inflation factor of 3% annually - Costs			1.196999	1.215021	1.233315	1.251884	1.270732	1.289864
Expenses:								
Home Construction Detached Product est. @ \$43/SF			\$7,284,430	\$7,829,052	\$4,591,557	\$4,481,430	\$0	\$0
Home Construction Attached Product est. @ \$48/SF			\$2,401,660	\$2,373,666	\$2,474,523	\$2,445,680	\$2,549,597	\$1,352,097
Costs to bring to Finished Lot Condition @ \$47,230,000			\$0	\$0	\$0	\$0	\$0	\$0
Less G & A Costs @ 3%			\$778,708	\$760,998	\$802,333	\$551,705	\$540,760	\$191,158
Less Marketing & Warranty Costs 5%			\$1,297,847	\$1,268,331	\$1,337,222	\$919,509	\$901,267	\$318,596
Plus Fee Credits & Eng. Cost Reimbursement			\$0	\$0	\$0	\$0	\$0	\$0
Special Tax Undeveloped Land			\$289,370	\$222,008	\$151,074	\$100,271	\$50,291	\$28,318
Total Expenses			\$12,052,015	\$12,454,054	\$9,356,708	\$8,498,595	\$4,041,914	\$1,900,168
Net Before Discounting			\$13,904,918	\$12,912,557	\$17,387,724	\$9,891,576	\$13,983,419	\$4,471,760
Present Worth Factor at 23%			0.270833	0.242900	0.217847	0.195379	0.175227	0.157155
			\$3,765,911	\$3,136,454	\$3,787,866	\$1,932,602	\$2,450,279	\$702,758

**CFD 93-1 IMPROVEMENT AREA 14A
DEVELOPMENTAL ANALYSIS**

<u>Product Description</u>	<u>Price/Unit</u>	<u>No. Units</u>	<u>Sept-Feb 2012</u>	<u>Mar-Aug 2012</u>	<u>Sept-Feb 2013</u>	<u>Total</u>
Detached Product	\$187,500	1,052	18.0	19.0	20.0	1,052
Average Unit Size 1,665 SF			0	0	0	
Detached Product Closings			0	0	0	1,052
Attached Product	\$130,000	548	28	0	0	548
Average Unit Size 1,100 SF						
Attached Product Closings			20	28	0	548
Total Sold Residential Units I. A. 14A		1,600	20	28	0	1,600
Unsold Residential Units Per Semi - Annual Period			28	0	0	
<u>Revenue/Product</u>						
Detached Product			\$0	\$0	\$0	\$197,250,000
Attached Product			\$2,600,000	\$3,640,000	\$0	\$71,240,000
			\$2,600,000	\$3,640,000	\$0	\$268,490,000
TOTAL REVENUE (Adjusted for Inflation)			\$3,404,139	\$4,837,549	\$0	\$312,040,241
Inflation factor of 3% annually - Revenues			1.309284	1.328997	1.349006	
Inflation factor of 3% annually - Costs			1.309284	1.328997	1.349006	
<u>Expenses</u>						
Home Construction Detached Product est. @ \$43/SF			\$0	\$0	\$0	\$85,550,312
Home Construction Attached Product est. @ \$48/SF			\$1,935,646	\$0	\$0	\$33,856,675
Costs to bring to Finished Lot Condition @ \$47,230,000			\$0	\$0	\$0	\$49,053,090
Less G & A Costs @ 3%			\$102,124	\$145,126	\$0	\$9,361,207
Less Marketing & Warranty Costs 5%			\$170,207	\$241,877	\$0	\$15,602,012
Plus Fee Credits & Eng. Cost Reimbursement			\$0	\$0	\$0	(\$8,761,857)
Special Tax Undeveloped Land			\$16,664	\$0	\$0	\$5,360,074
Total Expenses			\$2,224,641	\$387,004	\$0	\$190,021,513
Net Before Discounting			\$1,179,499	\$4,450,545	\$0	\$122,018,728
Present Worth Factor at 23%			0.140946	0.126409	0.113371	
			\$166,245	\$562,588	\$0	\$24,122,077

MERCHANT BUILDER LAND SALES SUMMARY

As further support to the estimated values included in this report, please refer to the following page that summarizes the recent land sales in the subject's immediate market area. As indicated, several of the sales are sales or escrows of the subject properties. With the exception of Data No. 3, the current escrow and older sale of Improvement Area 12A, the indicated merchant builder finished lot values range from \$53,000 to \$60,000 per lot. Data No. 2 is not considered a merchant builder sale due to the number of proposed units. The indicated finished lot value for Data No. 2 is \$44,254. Due to the length of holding time for this land, the lower finished lot price is well supported.

Data No. 7 represents a recent offer for land proposed for 470 lots, assuming they are in finished lot condition. The 5,000 square foot lots have an indicated price of \$55,000 and the 6,000 square foot lots have a price of \$65,000, assuming finished lots with all development fees paid.

The appraisers are also aware of raw land proposed for approximately 1,100± lots in Beaumont that are currently under contract for \$17,000 per raw lot. The contract is for 3 equal takedowns beginning in October/November 2002. The subsequent takedowns are anticipated to follow in 9-month increments with price appreciation of 7% per takedown.

The appraisers are also aware of approximately 1,000 acres in Beaumont proposed for approximately 3,000 lots that are in negotiations with 3 developers. The reported negotiated price for the raw land is based on an average product price of \$240,000 and a finished lot price of \$65,000.

Based on the land sales and current negotiations for land in the subject's immediate market area, the estimated finished lot values around \$57,000 for I. A.s 9, 10A and 12A and up to \$62,000 for I. A.s 14A, and 14B are well supported.

Land Sales Summary Beaumont/Banning Market Area

Data No. Location/ Project	Buyer/ Seller	Sales Date	Lot Size of Lots	No. of Lots	Price/ Lot	Finished Price/Lot	Remarks
No. 1 N/S Cougar Way E/O Beaumont Ave. Beaumont	N/A N/A	Current Listing	7,000	11	\$13,636	N/A	raw condition expired TMap near I. A.'s 10 & 12
No. 2 Improvement Area 14A Beaumont	Greystone Inland, LLC Westbrook Oak Valley Properties, LLC	7/02	att. & det.	1,619	\$12,254	\$44,254	raw land
No. 3 Improvement Area 12A Beaumont	Victoria Homes Development Entity Ventures Corp.	1/02 escrow	6,000	108	\$9,444	\$42,544	raw land
No. 4 Improvement Area 14B Tracts 29181 & 29180 Beaumont	Temecula Valley, LLC Westbrook Oak Valley Properties	10/02	7,000	155	\$26,060	\$59,060	Rough graded lots
No. 5 Improvement Area 14B Tracts 29182 & 29183 Beaumont	LenOne, Inc. Golden Hills-Beaumont, LLC	7/02	6,000 5,500	64 73	\$34,157	\$55,157	Between blue-top & finished lot condition
No. 6 Improvement Area 14B Tract 29184 Beaumont	Greystone Homes Fairways-Beaumont, LLC	7/02	7,200	57	\$35,540	\$52,740	Physically finished lots
No. 7 S/S SR-60, W/O I-10 Beaumont	Confidential Hart Beaumont, LLC	9/02	5,000 6,000	290 180	\$55,000 \$65,000	\$55,000 \$65,000	Current offers for Finished Lots reported raw land residual \$6,500,000 or \$13,830/lot
No. 8 Adjacent to I. A. 14B Beaumont	Osborne Development Westbrook Oak Valley Properties, LLC	10/01	7,000	77	\$32,106	\$59,887	level site, 23 lots adjacent to fairway
No. 9 Three Rings Ranch Beaumont	Three Rings Ranch Inc. Brookfield Homes (internal transfer)	11/01	7,000	192	\$47,729	\$53,353	12 bluff-top lots with good view potential CFD \$845/yr.

VALUATION CONCLUSIONS

Based on the investigation and analyses undertaken, our experience as real estate appraisers, and subject to all the premises, assumptions and limiting conditions set forth in this report, the following opinions of Market Value are formed as of November 1, 2002.

Improvement Area 9
Cougar Ranch, LLC & 57 Homeowners
\$9,800,000 (Rd.)

Improvement Area 10A
Cougar Ranch, LLC
\$7,000,000 (Rd.)

Improvement Area 12A
**Victoria Homes, Inc. & Rainbow Building and Development,
Inc. and Saxony & Assoc. Inc. (in escrow to Victory Homes)**
\$3,370,000 (Rd.)

Improvement Area 14A
Greystone Inland, LLC
\$24,000,000 (Rd.)

Improvement Area 14B
**Greystone Homes, Inc., LenOne, Inc. and
Temecula Valley LLC**
\$14,000,000 (Rd.)

CERTIFICATION

We hereby certify that during the completion of this assignment, we personally inspected the property that is the subject of this appraisal and that, except as specifically noted:

We have no present or contemplated future interest in the real estate or personal interest or bias with respect to the subject matter or the parties involved in this appraisal.

To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions, and conclusions expressed herein are based, are true and correct.

The compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with, the requirements of the Code of Professional Ethics and the Uniform Standards of Professional Appraisal Practice of the Appraisal Institute.

As of the date of this report, James B. Harris has completed the requirements of the continuing education program of the Appraisal Institute.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.

No one provided professional assistance to the persons signing this report.

Disclosure of the contents of this appraisal is governed by the Bylaws and Regulations of the Appraisal Institute. In furtherance of the aims of the Institute to develop higher standards of professional performance by its Members, we may be required to

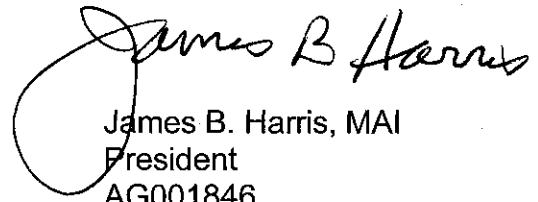
HRA

submit to authorized committees of said Institute copies of this appraisal and any subsequent changes or modifications thereof.

Respectfully submitted,



Berri J. Cannon
Vice President
AG009147



James B. Harris, MAI
President
AG001846

ADDENDA

Q U A L I F I C A T I O N S

HARRIS REALTY APPRAISAL

5100 Birch Street, Suite 200
Newport Beach, CA 92660
(949) 851-1227

**QUALIFICATIONS
OF
JAMES B. HARRIS, MAI**

PROFESSIONAL BACKGROUND

Actively engaged as a real estate analyst and consulting appraiser since 1971. President and Principal of **Harris Realty Appraisal**, with offices at:

5100 Birch Street, Suite 200
Newport Beach, California 92660

Before forming Harris Realty Appraisal, in 1982, was employed with Real Estate Analysts of Newport, Inc. (REAN) as a Principal and Vice President. Prior to employment with REAN was employed with the Bank of America as the Assistant Urban Appraisal Supervisor. Previously, was employed by the Verne Cox Company as a real estate appraiser.

PROFESSIONAL ORGANIZATIONS

Member of the Appraisal Institute, with MAI designation No. 6508
Director, Southern California Chapter – 1998, 1999
Chair, Orange County Branch, Southern California Chapter -1997
Vice-Chair, Orange County Branch, Southern California Chapter - 1996
Member, Region VII Regional Governing Committee - 1991 to 1995, 1997, 1998
Member, Southern California Chapter Executive Committee - 1990, 1997 to 1999
Chairman, Southern California Chapter Seminar Committee - 1991
Chairman, Southern California Chapter Workshop Committee - 1990
Member, Southern California Chapter Admissions Committee - 1983 to 1989
Member, Regional Standards of Professional Practice Committee -1985 - 1989
and 1994 - 1997

Member of the International Right-of-Way Association, Orange County Chapter 67.

California State Certified Appraiser, Number AG001846

EDUCATIONAL ACTIVITIES

B.S., California State Polytechnic University, Pomona, 1972.

Successfully completed the following courses sponsored by the Appraisal Institute and the Right-of-Way Association:

Course I-A	Principles of Real Estate Appraisal
Course I-B	Capitalization Theory
Course II	Urban Properties
Course IV	Litigation Valuation
Course VI	Investment Analysis
Course VIII	Single-Family Residential Appraisal
Course SPP	Standards of Professional Practice
Course 401	Appraisal of Partial Acquisitions

Has attended numerous seminars sponsored by the Appraisal Institute and the International Right-of-Way Association.

TEACHING AND LECTURING ACTIVITIES

Seminars and lectures presented to the Appraisal Institute and the University of California-Irvine.

LEGAL EXPERIENCE

Testified as an expert witness in the Superior Court of the County of Los Angeles and the County of San Bernardino and in the Federal Bankruptcy Courts five times concerning the issues of Eminent Domain, Bankruptcy, and Specific Performance. He has been deposed numerous times concerning these and other issues. This legal experience has been for both Plaintiff and Respondent clients. He has prepared numerous appraisals for submission to the IRS, without having values overturned. He has worked closely with numerous Bond Counsels in the completion of 31 Land Secured Municipal Bond Financing appraisals over the last five years.

SCOPE OF EXPERIENCE

Feasibility and Consultive Studies

Feasibility and market analyses, including the use of computer-based economic models for both land developments and investment properties such as shopping centers, industrial parks, mobile home parks, condominium projects, hotels, and residential projects.

Appraisal Projects

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona, Florida, Georgia, Nevada, New Jersey, Oklahoma, Oregon, and Washington.

Residential

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

Commercial

Office buildings, hotels, motels, retail store buildings, restaurants, power shopping centers, neighborhood shopping centers, and convenience shopping centers.

Industrial

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

Vacant Land

Community Facilities Districts, master planned communities, residential sites, commercial sites, and industrial sites; rights-of-way for pipelines, full and partial takings for public acquisitions.

**QUALIFICATIONS
OF
BERRI J. CANNON**

PROFESSIONAL BACKGROUND

Actively engaged as a real estate appraiser since 1982. Vice President of ***Harris Realty Appraisal***, with offices at:

5100 Birch Street, Suite 200
Newport Beach, California 92660

Before joining Harris Realty Appraisal was employed with Interstate Appraisal Corporation as Assistant Vice President. Prior to employment with Interstate Appraisal was employed with Real Estate Analysts of Newport Beach as a Research Assistant.

PROFESSIONAL ORGANIZATIONS

Candidate of the Appraisal Institute for the MAI designation.

Co-Chair, Southern California Chapter Hospitality Committee - 1994 - 1998

Chair, Southern California Chapter Research Committee - 1992, 1993

Women in Commercial Real Estate, Member Orange County Chapter.

Chair, Special Events – 1998 - 2002

Second Vice-President - 1996, 1997

Treasurer - 1993, 1994, 1995

Chair, Network Luncheon Committee - 1991, 1992

California State Certified Appraiser, Number AG009147

EDUCATIONAL ACTIVITIES

B.S.B.A., University of Redlands, Redlands, California

Successfully completed the following courses sponsored by the Appraisal Institute:

Principles of Real Estate Appraisal
Basic Valuation Procedures
Capitalization Theory and Techniques - A
Capitalization Theory and Techniques - B
Report Writing and Valuation Analyses
Standards of Professional Practice
Case Studies in Real Estate Valuation

Has attended numerous seminars sponsored by the Appraisal Institute. Has also attended real estate related courses through University of California-Irvine.

SCOPE OF EXPERIENCE

Appraisal Projects

Has completed all types of appraisal assignments from San Diego to San Francisco, California. Also has completed out-of-state appraisal assignments in Arizona.

Residential

Residential subdivisions, condominiums, planned unit developments, mobile home parks, apartment houses, and single-family residences.

Commercial

Office buildings, retail store buildings, restaurants, neighborhood-shopping centers, strip retail centers.

Industrial

Multi-tenant industrial parks, warehouses, manufacturing plants, and research and development facilities.

Vacant Land

Residential sites, commercial sites, industrial sites, large multi-unit housing, master planned unit developments, and agricultural acreage. Specializing in Community Facilities District appraisal assignments.

PARTIAL LIST OF CLIENTS

Lending Institutions

American Savings Bank
Bank of America
Bank of California
Bank One
Coast S&L Assoc.
Commerce Bank
Downey S&L Assoc.
Fremont Investment and Loan
First Los Angeles Bank
Institutional Housing Partners

NationsBank
Renkris Capital
Santa Monica Bank
Sumitomo Bank
Tokai Bank
Union Bank
Universal S&L Assoc.
Wallace Moir Company
Wells Fargo Bank
Weyerhaeuser Mortgage

Public Agencies

Borrego Water District
Caltrans
Capistrano Unified School District
City of Beaumont
City of Costa Mesa
City of Encinitas
City of Fontana
City of Indian Wells
City of Irvine
City of Lake Elsinore
City of Riverside

County of Orange
Newport-Mesa Unified School District
Orange County Counsel's Office
Orange County Transit District
Orange County Trans. Commission
Placentia Unified School District
Saddleback Valley Unified School District
Santa Ana Unified School District
Southern California Edison Co.
U. S. Postal Service
Val Verde Unified School District

Developers and Landowners

Borstein Enterprises
Coto de Caza, Ltd.
Diamond Bar Country
Estates Association
Foothill Ranch Company
Hon Development Co.
The Irvine Company

Johnson Ranch
Lennar Homes
McLain Development
Rancho Mission Viejo
Santa Margarita Company
Wallace Moir Development Co.
Watt Industries

Law Firms

Arter & Hadden
Bronson, Bronson & McKinnon
Bryan, Cave, McPheeters & McRoberts
Bowie & Risely
Richard Clements
Cox, Castle, Nicholson
Gibson, Dunn & Crutcher
Hill, Farrer & Burrill

McClintock, Weston, Benshoof,
Rochefort & MacCuish
Palmiri, Tyler, Wiener, Wilhelm, & Waldron
Redwine & Sherrill
Sonnenschein Nath & Rosenthal
Strauss & Troy
Wyman, Bautzer, Rothman, Kuchel & Silbert

Corporations and Institutions

Acacia Capital Group
Exxon Company
First American Trust Co.
Kaiser Permanente

Marten Transportation
McDonnell Douglas Corp.
Security Pacific Capital
Markets, Inc.

EMPIRE ECONOMICS STUDY (PORTION)

ESTIMATED ABSORPTION SCHEDULES

CITY OF BEAUMONT: CFD NO. 93-1 BFA SERIES 2002 B

October 7, 2002; Subject to Revision

Improvement Areas >>		# 1	# 1	# 4	# 9 & #10	# 12	# 14 A	# 14 A	# 14 B	# 14 B	Totals - Residential	
	Centerstone	Centerstone	Centerstone	Classic Pacific	Stone Pacific	Victoria Homes	Oak Valley Greens	Oak Valley Greens	Oak Valley Greens	Oak Valley Greens	Annually	Cumulative
	(Exclude 46 Condos)						Seniors Detached	Seniors Attached		Families		
Development Status												
Total	353	47	470	216	108	1,052	548	349	19	3,162	100.0%	
Escrows Closed- Aug. 2002	0	0	0	57	0	0	0	0	0	57	1.8%	
Fortcoming:	353	47	470	159	108	1,052	548	349	19	3,105	98.2%	
Share - Fortcoming	11.4%	1.5%	15.1%	5.1%	3.5%	33.9%	17.6%	11.2%	0.6%	100.0%		
Estimated Move-Ins												
Late-2003	Late-2003	Late-2003	Late-2003	2001	Early-2003	Mid-2003	Mid-2004	Mid-2002	Mid-2004			
Number of Projects												
Three-Builders	One-Builders	One-Builders	One-Builders	One-Builders	One-Builders	Three-Projects	Two-Projects	5-Builders	1-Builders			
Product Types												
Lots 6000 - 134	Room on lots for RVs	Lots 5000 - 290	60 Finished Lots	95: Undeveloped	Room on lots for RVs	Note: Recommended Tax Burden 1.5% Developer: 1.75%						
Lots 7 000+ - 219						Rate & Method Allows Buy-Down						
Prices - Estimated												
Lower	\$180,000	\$220,000	\$155,990	\$147,000	\$159,950	\$148,000	\$120,000	\$170,000	\$270,000			
Average	\$200,000	\$245,000	\$180,490	\$160,000	\$192,950	\$187,500	\$130,000	\$195,000	\$300,000			
Upper	\$220,000	\$270,000	\$204,990	\$173,000	\$225,950	\$227,000	\$140,000	\$220,000	\$330,000			
Living Area - Estimated												
Lower	1,750	2,200	1,415	1,431	1,591	1,288	1,000	1,350	3,000			
Average	2,075	2,650	1,893	1,638	2,031	1,665	1,100	2,025	3,300			
Upper	2,400	3,100	2,370	1,845	2,470	2,062	1,200	2,700	3,600			
Value Ratio	\$96	\$92	\$85	\$98	\$95	\$113	\$118	\$96	\$91			
Aug-Dec, 2002												
2003	0	0	0	8	0	0	0	100	0	108	108	
2004	15	5	20	45	35	50	0	175	0	345	453	
2005	90	25	75	50	40	100	25	483	4	483	936	
2006	90	17	100	56	33	125	50	0	6	477	1,413	
2007	90	0	100	0	0	150	50	0	8	388	1,811	
2008	68	0	100	0	0	175	75	0	1	419	2,230	
2009	0	0	75	0	0	175	75	0	0	325	2,555	
2010	0	0	0	0	0	175	75	0	0	250	2,805	
2011	0	0	0	0	0	102	75	0	0	177	2,982	
2012	0	0	0	0	0	0	75	0	0	75	3,057	
Totals	353	47	470	159	108	1,052	548	349	19	3,105	385	

FEE CREDIT SUMMARY PREPARED BY CITY'S ENGINEER

City of Beaumont
Community Facilities District No. 93-1
Series 2002 B and 2003 A Bonds
Fee Credit Amount Summary

<u>Facility Cost Allocation</u>	<u>San Tim. Program</u>	<u>G.P. Program</u>	<u>Ring Ranch Rd</u>	<u>Willow Sp. Pky.</u>	<u>First Street</u>	<u>Transmission Main</u>	<u>Individual Facilities</u>	<u>Series 1994 A&B</u>	<u>Series 2000 A</u>	<u>Total</u>
Improvement Area No. 1A, 1B & 1C - Centerstone	\$21,653.92	\$36,089.87	\$180,482.63	\$198,273.03	\$0.00	\$302,908.02	\$0.00	\$759,713.00	\$0.00	\$1,499,120.47
Improvement Area No. 4 - Heart Beaumont	\$22,466.54	\$37,444.23	\$187,255.71	\$205,713.74	\$0.00	\$314,275.43	\$0.00	\$1,408,773.00	\$0.00	\$2,175,928.65
Improvement Area Nos. 9&10 - Stone Pacific	\$10,325.05	\$17,206.41	\$0.00	\$0.00	\$539,195.25	\$144,432.96	\$0.00	\$195,110.65	\$0.00	\$906,272.33
Improvement Area No. 12 - Victoria Homes	\$5,162.52	\$8,604.21	\$0.00	\$0.00	\$269,597.63	\$72,216.48	\$0.00	\$123,212.00	\$0.00	\$478,792.84
Improvement Area No. 14 A - Oak Valley Greens (AR)	\$76,481.84	\$127,469.73	\$637,466.23	\$700,302.11	\$0.00	\$0.00	\$7,191,961.92	\$0.00	\$3,831,851.38	\$12,565,533.21
Improvement Area No. 14 B - Oak Valley Greens (NAR)	\$13,910.13	\$23,183.56	\$115,939.17	\$127,367.45	\$0.00	\$0.00	\$1,308,038.08	\$0.00	\$696,917.97	\$2,285,356.35
Total	\$150,000.00	\$250,000.00	\$1,121,143.74	\$1,231,656.33	\$808,792.86	\$633,832.90	\$8,500,000.00	\$2,486,808.65	\$4,528,769.35	\$19,911,003.85

City of Beaumont
Community Facilities District No. 93-1
Series 2002 B Bonds
Authorized Facilities Summary

Facility/Description	Estimated Cost
Critical Facilities	
City Program	\$250,000
Marshall Creek Water Management Basin	\$0
Line F-1 Water Management Basin	\$0
Utilities, Fees and Permits	\$0
Subtotal	\$250,000
Joint Facilities	
Marshall Creek Interceptor Sewer	\$0
Marshall Creek Channel	\$1,274,500
Ring Ranch Road - North	\$0
Willow Springs Parkway - East	\$0
First Street - West Extension	\$646,000
Domestic Water System	\$666,000
Utilities, Fees and Permits	\$1,259,763
Subtotal	\$3,846,263
Individual Facilities	
Improvement Area No. 1A, 1B & 1C - Centerstone	\$0
Improvement Area No. 4 - Heart Beaumont	\$0
Improvement Area Nos. 9&10 - Stone Pacific	\$0
Improvement Area No. 12 - Victoria Homes	\$294,440
Improvement area No. 14 A - Oak Valley Greens AR	\$7,191,962
Improvement Area No. 14 B - Oak Valley Greens NAR	\$1,308,038
Utilities, Fees and Permits	\$2,633,945
Subtotal	\$11,428,385
Funded by Interest	(\$139,078)
Total	\$15,385,570

City of Beaumont
Community Facilities District No. 93-1
Series 2002 B and 2003 A Bonds
Property Owner Reimbursements

<u>Improvement Area/Expense</u>	<u>Formation Deposit</u>	<u>Eng. Reimbursement</u>	<u>Total</u>
Improvement Area No. 1 - Centerstone		\$104,239.19	\$124,239.19
Improvement Area No. 4 - Classic Pacific	\$20,000.00	\$168,802.50	\$188,802.50
Improvement Area No. 10 - Stone Pacific	\$20,000.00	\$89,215.00	\$17,576.67
Improvement Area No. 12 - Victoria Homes	\$20,000.00	\$29,444.00	\$49,444.00
Improvement Area No. 14 A - Oak Valley Greens (AR)	\$29,613.96	\$28,175.00	\$57,788.96
Improvement Area No. 14 B - Oak Valley Greens (NAR)	\$5,386.04	\$0.00	\$5,386.04
Total	\$115,000.00	\$419,875.69	\$443,237.36

Note:

Engineering includes preliminary geotechnical report
 Surveying includes legal descriptions, plats and documents
 Formation Deposits to be reimbursed at closing

Improvement Area No. 1 - Centerstone:

Engineering and Surveying for Individual Facilities plus
 Engineering for Marshall Creek Water Management Basin and Ring Ranch Road-North
Improvement Area No. 4 - Heart Beaumont:
 Engineering and Surveying for Individual Facilities plus Engineering for Willow Springs Pky-East

Improvement Area No. 10 - Stone Pacific:

Engineering for Marshall Creek Channel minus \$91,638 prepayment to BCVWD

Improvement Area No. 12 - Victoria Homes:

Engineering and Surveying for Individual Facilities

Improvement Area No. 14 A - Oak Valley Greens (AR):

Engineering for Line F-1 Water Quality Basin

Improvement Area No. 14 B - Oak Valley Greens (NAR):

Engineering for Line F-1 Water Quality Basin

TAX CONSULTANT'S STUDY (PORTION)

CITY OF BEAUMONT

CDF NO. 93-1

IMPROVEMENT AREA NOS. 1a, 4a, 9, 10a, 12a, 14a, 14b

Summary of Rates and Factors
Developed

Final

Account	IA	Model	Lots	Developed			ROF			Total			Net Undeveloped Taxable Property						Gross Undeveloped Taxable Property						Bond Issue 2002B			
				ROI	ROF	Total Tax	Total Funds Generated	Adjusted Debt Service	Coverage High	Coverage Low	ROI Rates	Undeveloped Rates	ROF Rates	Net Acres	Total Funds Generated	Total Adjusted Debt Service	Coverage High	Coverage Low	ROI Rates	Undeveloped Rates	Gross Acres	Total Funds Generated	Total Adjusted Debt Service	Coverage High	Coverage Low	Existing CFD Debt	New CFD Debt	Total Issue
	1a	<7,000 s.f. lot	127	\$1,200	\$1,090	1.94%																						
		7 - 9,000 s.f. lot	220	\$1,300	\$1,170	1.95%																						
		>=9,000 s.f. lot	50	\$1,400	\$1,400	1.95%																						
		Total	397				\$18,846,307	\$14,826,360	157.4%	112.2%	\$6,500	\$6,500	72.80	\$19,196,615	\$14,826,360	160.3%	114.3%	\$6,500	\$6,500	126.60	\$33,357,103	\$14,826,360	278.5%	196.6%	\$1,335,137	\$4,020,000	\$5,355,137	
	4a	<6,000 s.f. lot	150	\$1,500	\$1,020	1.99%																						
		>=6,000 s.f. lot	320	\$1,500	\$1,120	1.92%																						
		Total	470				\$20,746,516	\$16,001,321	156.6%	113.8%	\$5,000	\$7,500	64.74	\$19,667,931	\$16,001,321	150.6%	111.3%	\$5,000	\$5,000	157.31	\$31,908,823	\$16,001,321	244.0%	180.2%	\$2,260,878	\$3,160,000	\$5,440,878	
	9	Total	69	\$703	\$703	1.79%	\$2,047,398	\$1,564,117	170.1%	110.2%	\$5,000	\$5,000	7.73	\$1,568,748	\$1,554,117	130.3%	84.5%	\$5,000	\$5,000	14.09	\$2,858,021	\$1,554,117	237.5%	153.9%	\$249,504	\$350,000	\$599,504	
	10a	Total	147	\$1,350	\$1,100	1.92%	\$6,559,658	\$5,011,441	162.6%	113.3%	\$5,000	\$7,500	22.02	\$6,696,631	\$5,011,441	166.1%	115.7%	\$5,000	\$7,500	40.11	\$12,203,892	\$5,011,441	302.6%	210.8%	\$476,036	\$1,405,000	\$1,881,036	
	12a	<2,000 s.f. bld	38	\$1,200	\$1,000	1.98%																						
		>=2,000 s.f. bld	70	\$1,400	\$1,100	1.89%																						
		Total	108				\$4,665,328	\$3,617,465	159.1%	115.5%	\$6,000	\$7,500	14.88	\$4,527,398	\$3,617,465	154.3%	112.1%	\$6,000	\$6,000	30.00	\$7,302,254	\$3,617,465	249.0%	180.8%	\$152,623	\$1,060,000	\$1,212,623	
	14a	Detached	1427	\$1,150	\$1,035	1.78%																						
		Attached	170	\$1,050	\$945	1.74%																						
		Total	1597				\$66,434,084	\$43,518,510	198.4%	113.8%	\$5,000	\$9,000	183.65	\$67,052,950	\$43,518,510	200.2%	114.9%	\$5,000	\$9,000	367.30	\$134,105,959	\$43,518,510	400.5%	229.7%	\$2,903,513	\$15,368,000	\$18,291,513	
	14b	Total	368	\$1,600	\$1,585	2.00%	\$23,662,549	\$15,722,866	197.4%	113.1%	\$5,000	\$12,000	47.93	\$23,333,136	\$15,722,866	194.6%	111.5%	\$5,000	\$12,000	95.66	\$45,666,273	\$15,722,866	389.2%	223.0%	\$5,661,533	-	\$5,661,533	
														</														

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 9 OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 9 of Community Facilities District No. 93-1 of the City of Beaumont ("CFD No. 93-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Property Owner Association Property," "Taxable Religious Property," and "Taxable Public Property," as described below. All of the real property in Improvement Area No. 9 of CFD No. 93-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means any ordinary and necessary expenses of the City to carry out the administration of Improvement Area No. 9 of CFD No. 93-1.

"Apartment" means a single dwelling unit within Developed Property of building or buildings comprised of attached residential units, all of which are made available for rental by the general public, exclusive of condominiums.

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

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by Improvement Area No. 9 under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 93-1" means City of Beaumont Community Facilities District No. 93-1.

"City" means the City of Beaumont.

"Condominium" means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

“Council” means the City Council of the City of Beaumont, acting as the legislative body of Improvement Area No. 9 of CFD No. 93-1.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

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

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

“Improvement Area No. 9” means Improvement Area No. 9 as depicted on the boundary map of CFD No. 93-1.

“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 below.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“One Time Special Tax” means the Special Tax that is required to be paid as a condition precedent to the recordation of final maps, as determined in accordance with Section C.2.b below.

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

“Property Owner Association Property” means any property that is owned by or dedicated to a property owner association, including any master or sub-association.

“Public Property” means any property that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State, the County or any other public agency.

“Religious Property” means any property that is used primarily as a place of worship and is exempt from ad valorem property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor’s Parcels used for religious schools, day care centers, or congregate care facilities.

“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 dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required, after taking into consideration available funds pursuant to the Indenture, in any Fiscal Year for Improvement Area No. 9 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for anticipated delinquent Special Taxes based on the delinquency rate in Improvement Area No. 9 for the previous Fiscal Year, and (vi) pay directly for construction of Improvement Area No. 9 facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of Improvement Area No. 9 which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E 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, Taxable Public Property, or Taxable Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Improvement Area No. 9 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below..

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the Special Tax for the applicable Land Use Class as shown in Table 1 below. The Maximum Special Tax for Residential Property consisting of single family detached homes shall be the same for each Lot. The Maximum Special Tax for Residential Property consisting of Condominiums or Apartments shall be the same for each dwelling unit. The Maximum Special Tax for Non-Residential Property shall be based on the amount of Acreage of the Assessor’s Parcel.

TABLE 1
Maximum Special Taxes for Developed Property in
Improvement Area No. 9 of
Community Facilities District No. 93-1 (Fiscal Year 2000-2001)

Land Use Class	Description	Assigned Special Tax
1	Residential Property Single Family Detached	\$ 703 per Lot
2	Residential Property Condominium	\$ 703 per unit
3	Residential Property Apartment	\$ 703 per unit
4	Non-Residential	\$5,000 per Acre

b. Increases in the Maximum Special Tax

On each July 1, commencing July 1, 2001, the Maximum Special Tax for each Land Use Class of Developed Property shall be increased by two percent (2.00%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property shall be \$5,000 per Acre for Fiscal Year 2000-2001, such amount to increase two percent (2.00%) annually commencing with Fiscal Year 2001-2002, plus any applicable One Time Special Tax determined pursuant to section C.2.b below.

b. One Time Special Tax

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction in the expected Residential Property dwelling units, as determined by reference to the Substantial Conformance Map, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula approved by the City, with the following modifications:

- i. The number by which the expected Residential Property dwelling units has been reduced multiplied by the applicable Special Tax set forth in Table 1 above, escalated pursuant to Section C.1.b shall be substituted for the Maximum Annual Special Tax in Step 1 of the prepayment formula.

3. Taxable Property, Owner Association Property, Taxable Public Property, and Taxable Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property shall be \$5,000 per Acre for Fiscal Year 2000-2001, such amount to increase two percent (2.00%) annually commencing with Fiscal Year 2001-2002.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2000-2001 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement to be collected from Taxable Property in Improvement Area No. 9 of CFD No. 93-1 in the Fiscal Year. The Council shall levy the Special Tax as follows until the amount of levy equals the Special Tax Requirement, subject to limitations specified in Section 53321 of the Act.

First: The Special Tax shall be levied in equal percentages on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax for each such Assessor's Parcel;

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 in equal percentages on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for Undeveloped Property;

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 Developed Property shall be increased in equal percentages from the amounts calculated pursuant to Step 1 above, up to 100% of the applicable 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 in equal percentages on each Assessor's Parcel of Taxable Property Owner Association Property, up to the Maximum Special Tax for Taxable Property Owner Association Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Religious Property, up to the Maximum Special Tax for Taxable Religious Property; and

Sixth: If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Public Property up to the Maximum Special Tax for 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 per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 9.

E. EXEMPTIONS

The Council shall not levy a Special Tax on the following:

- 1) Properties owned by entities of the State of California, federal or other public agencies, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act;
- 2) Properties designated for the following uses:

Up to a total of 4.0 acres of Public Property, Property Owner Association Property, and Religious Property; and

All Public Property, Property Owner Association Property, and Religious Property will be allocated on a first in time basis. If the total number of acres of land conveyed or dedicated exceeds the amount stated above, then the acres exceeding such total shall be taxed at the applicable rates set forth in Section C above and to the extent set forth in Section D above.

F. REVIEW/APPEAL COMMITTEE

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a notice with CFD No. 93-1 appealing the amount of the Special Tax levied on such Assessor's Parcel. A representative of CFD No. 93-1 will then review the appeal and, if necessary, meet with the applicant. If the findings of the representative of CFD No. 93-1 verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 93-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax applicable to an Assessor's Parcel may be prepaid in full according to a prepayment formula determined by the City at the time of prepayment. The prepayment amount shall also include the administrative expense of Improvement Area No. 9, the fiscal agent and any consultant retained in connection with the calculation of the prepayment amount.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a term of 50 years, commencing with Fiscal Year 1993-94.

APPENDIX F

SECOND REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 10A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 10a of Community Facilities District No. 93-1 of the City of Beaumont ("CFD No. 93-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Property Owner Association Property," "Taxable Religious Property," and "Taxable Public Property," as described below. All of the real property in Improvement Area No. 10a of CFD No. 93-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means any ordinary and necessary expenses of the City to carry out the administration of Improvement Area No. 10a of CFD No. 93-1.

"Apartment" means a single dwelling unit within Developed Property of building or buildings comprised of attached residential units, all of which are made available for rental by the general public, exclusive of condominiums.

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

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by Improvement Area No. 10a under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 93-1" means City of Beaumont Community Facilities District No. 93-1.

"City" means the City of Beaumont.

"Condominium" means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

“Council” means the City Council of the City of Beaumont, acting as the legislative body of Improvement Area No. 10a of CFD No. 93-1.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

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

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

“Improvement Area No. 10a” means Improvement Area No. 10a as depicted on the boundary map of CFD No. 93-1.

“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 below.

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“One Time Special Tax” means the Special Tax that is required to be paid as a condition precedent to the recordation of final maps, as determined in accordance with Section C.2.b below.

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

“Property Owner Association Property” means any property that is owned by or dedicated to a property owner association, including any master or sub-association.

“Public Property” means any property that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State, the County or any other public agency.

“Religious Property” means any property that is used primarily as a place of worship and is exempt from ad valorem property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor’s Parcels used for religious schools, day care centers, or congregate care facilities.

“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 dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required, after taking into consideration available funds pursuant to the Indenture, in any Fiscal Year for Improvement Area No. 10a to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for anticipated delinquent Special Taxes based on the delinquency rate in Improvement Area No. 10a for the previous Fiscal Year, and (vi) pay directly for construction of Improvement Area No. 10a facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of Improvement Area No. 10a which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E 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, Taxable Public Property, or Taxable Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Improvement Area No. 10a shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the Special Tax for the applicable Land Use Class as shown in Table 1 below. The Maximum Special Tax for Residential Property consisting of single family detached homes shall be the same for each Lot. The Maximum Special Tax for Residential Property consisting of Condominiums or Apartments shall be the same for each dwelling unit. The Maximum Special Tax for Non-Residential Property shall be based on the amount of Acreage of the Assessor’s Parcel.

TABLE 1
Maximum Special Taxes for Developed Property in
Improvement Area No. 10a of
Community Facilities District No. 93-1 (Fiscal Year 2002-2003)

Land Use Class	Description	Assigned Special Tax
1	Residential Property Single Family Detached	\$1,100 per Lot
2	Residential Property Condominium	\$1,100 per unit
3	Residential Property Apartment	\$1,100 per unit
4	Non-Residential	\$7,500 per Acre

b. Increases in the Maximum Special Tax

On each July 1, commencing July 1, 2003, the Maximum Special Tax for each Land Use Class of Developed Property shall be increased by two percent (2.00%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property shall be \$7,500 per Acre for Fiscal Year 2002-2003, such amount to increase two percent (2.00%) annually commencing with Fiscal Year 2003-2004, plus any applicable One Time Special Tax determined pursuant to section C.2.b below.

b. One Time Special Tax

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction in the expected Residential Property dwelling units, as determined by reference to the Substantial Conformance Map, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula approved by the City, with the following modifications:

- i. The number by which the expected Residential Property dwelling units has been reduced multiplied by the applicable Special Tax set forth in Table 1 above, escalated pursuant to Section C.1.b shall be substituted for the Maximum Annual Special Tax in Step 1 of the prepayment formula.

3. Taxable Property, Owner Association Property, Taxable Public Property, and Taxable Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property shall be \$7,500 per Acre for Fiscal

Year 2002-2003, such amount to increase two percent (2.00%) annually commencing with Fiscal Year 2003-2004.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement to be collected from Taxable Property in Improvement Area No. 10a of CFD No. 93-1 in the Fiscal Year. The Council shall levy the Special Tax as follows until the amount of levy equals the Special Tax Requirement, subject to limitations specified in Section 53321 of the Act.

First: The Special Tax shall be levied in equal percentages on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax for each such Assessor's Parcel;

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 in equal percentages on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: 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 in equal percentages on each Assessor's Parcel of Taxable Property Owner Association Property, up to the Maximum Special Tax for Taxable Property Owner Association Property;

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 in equal percentages on each Assessor's Parcel of Taxable Religious Property, up to the Maximum Special Tax for Taxable Religious Property; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Public Property up to the Maximum Special Tax for 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 per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 10a.

E. EXEMPTIONS

The Council shall not levy a Special Tax on the following:

- 3) Properties owned by entities of the State of California, federal or other public agencies, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act;
- 4) Properties designated for the following uses: Public Property, Property Owner Association Property, and Religious Property

Under no condition will the total acres of Taxable Property be less than 22.02 acres due to the exemption of Public Property, Property Owner Association Property, and Religious Property. All Public Property, Property Owner Association Property, and Religious Property will be allocated on a first in time basis. If the remaining total number of acres of land conveyed or dedicated is less than the amount stated above, then such acres shall be taxed at the applicable rates set forth in Section C above and to the extent set forth in Section D above.

F. REVIEW/Appeal Committee

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a notice with CFD No. 93-1 appealing the amount of the Special Tax levied on such Assessor's Parcel. A representative of CFD No. 93-1 will then review the appeal and, if necessary, meet with the applicant. If the findings of the representative of CFD No. 93-1 verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

G. Manner of Collection

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 93-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. Prepayment of Special Tax

The Special Tax applicable to an Assessor's Parcel may be prepaid in full according to a prepayment formula determined by the City at the time of prepayment. The prepayment amount shall also include the administrative expense of Improvement Area No. 10a, the fiscal agent and any consultant retained in connection with the calculation of the prepayment amount.

I. Term of Special Tax

The Special Tax shall be levied for a term of 50 years, commencing with Fiscal Year 1993-94.

APPENDIX G

REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 12A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 12a of Community Facilities District No. 93-1 of the City of Beaumont ("CFD No. 93-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Property Owner Association Property," "Taxable Religious Property," and "Taxable Public Property," as described below. All of the real property in Improvement Area No. 12a of CFD No. 93-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means any ordinary and necessary expenses of the City to carry out the administration of Improvement Area No. 12a of CFD No. 93-1.

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

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by Improvement Area No. 12a under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 93-1" means City of Beaumont Community Facilities District No. 93-1.

"City" means the City of Beaumont.

"Council" means the City Council of the City of Beaumont, acting as the legislative body of Improvement Area No. 12a of CFD No. 93-1.

"County" means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

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

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

“Improvement Area No. 12a” means Improvement Area No. 12a as depicted on the boundary map of CFD No. 93-1.

“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 below.

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

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

“One Time Special Tax” means the Special Tax that is required to be paid as a condition precedent to the recordation of final maps, as determined in accordance with Section C.2.b below.

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

“Property Owner Association Property” means any property that is owned by or dedicated to a property owner association, including any master or sub-association.

“Public Property” means any property that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State, the County or any other public agency.

“Religious Property” means any property that is used primarily as a place of worship and is exempt from ad valorem property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor’s Parcels used for religious schools, day care centers, or congregate care facilities.

“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 dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Special Tax” means the special tax to be levied in each Fiscal Year on each Assessor’s Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property to fund the Special Tax Requirement.

“Special Tax Requirement” means that amount required, after taking into consideration available funds pursuant to the Indenture, in any Fiscal Year for Improvement Area No. 12a to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for anticipated delinquent Special Taxes based on the delinquency rate in Improvement Area No. 12a for the previous Fiscal Year, and (vi) pay directly for construction of Improvement Area No. 12a facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of Improvement Area No. 12a, which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E 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 Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Taxable Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Improvement Area No. 12a shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property shall be the Special Tax for the applicable Land Use Class as shown in Table 1 below. The Maximum Special Tax for Residential Property consisting of single-family detached homes shall be the same for each Lot. The Maximum Special Tax for Residential Property consisting of Condominiums or Apartments shall be the same for each dwelling unit. The Maximum Special Tax for Non-Residential Property shall be based on the amount of Acreage of the Assessor’s Parcel.

TABLE 1
Maximum Special Taxes for Developed Property in
Improvement Area No. 12a of
Community Facilities District No. 93-1 (Fiscal Year 2000-2001)

Land Use Class	Description	Assigned Special Tax
1	Residential Property with building square footage of less than 2,000 square foot.	\$ 1,000 per Lot
2	Residential Property with building square footage of 2,000 square feet or more.	\$ 1,100 per Lot
3	Non-Residential	\$7,500 per Acre

b. Increases in the Maximum Special Tax

On each July 1, commencing July 1, 2003, the Maximum Special Tax for each Land Use Class of Developed Property shall be increased by two percent (2.00%) of the amount in effect for the previous Fiscal Year.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property shall be \$7,500 per Acre for Fiscal Year 2002-2003, such amount to increase two percent (2.00%) annually commencing July 1, 2003, plus any applicable One Time Special Tax determined pursuant to section C.2.b below.

b. One Time Special Tax

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction in the expected Residential Property dwelling units, as determined by reference to the Substantial Conformance Map, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula approved by the City, with the following modifications:

- i. The number by which the expected Residential Property dwelling units has been reduced multiplied by the applicable Special Tax set forth in Table 1 above, escalated pursuant to Section C.1.b shall be substituted for the Maximum Annual Special Tax in Step 1 of the prepayment formula.

3. Taxable Property, Owner Association Property, Taxable Public Property, and Taxable Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property shall be \$7,500 per Acre for Fiscal Year 2002-2003, such amount to increase two percent (2.00%) annually commencing July 1, 2003.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement to be collected from Taxable Property in Improvement Area No. 12a of CFD No. 93-1 in the Fiscal Year. The Council shall levy the Special Tax as follows until the amount of levy equals the Special Tax Requirement, subject to limitations specified in Section 53321 of the Act.

First: The Special Tax shall be levied in equal percentages on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax for each such Assessor's Parcel;

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 in equal percentages on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for Undeveloped Property;

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 Developed Property shall be increased in equal percentages from the amounts calculated pursuant to Step 1 above, up to 100% of the applicable 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 in equal percentages on each Assessor's Parcel of Taxable Property Owner Association Property, up to the Maximum Special Tax for Taxable Property Owner Association Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Religious Property, up to the Maximum Special Tax for Taxable Religious Property; and

Sixth: If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Public Property up to the Maximum Special Tax for 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 per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 12a.

E. EXEMPTIONS

The Council shall not levy a Special Tax on the following:

- 1) Properties owned by entities of the State of California, federal or other public agencies, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act;

- 2) Properties designated for the following uses: Public Property, Property Owner Association Property, and Religious Property

Under no condition will the total acres of Taxable Property be less than 14.88 acres due to the exemption of Public Property, Property Owner Association Property, and Religious Property. All Public Property, Property Owner Association Property, and Religious Property will be allocated on a first in time basis. If the remaining total number of acres of land conveyed or dedicated is less than the amount stated above, then such acres shall be taxed at the applicable rates set forth in Section C above and to the extent set forth in Section D above.

F. REVIEW/APPEAL COMMITTEE

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a notice with CFD No. 93-1 appealing the amount of the Special Tax levied on such Assessor's Parcel. A representative of CFD No. 93-1 will then review the appeal and, if necessary, meet with the applicant. If the findings of the representative of CFD No. 93-1 verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 93-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax applicable to an Assessor's Parcel may be prepaid in full according to a prepayment formula determined by the City at the time of prepayment. The prepayment amount shall also include the administrative expense of Improvement Area No. 12a, the fiscal agent and any consultant retained in connection with the calculation of the prepayment amount.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a term of 50 years, commencing with Fiscal Year 1993-94.

APPENDIX H

REVISED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 14A OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special Tax as hereinafter defined shall be levied on and collected in Improvement Area No. 14A of Community Facilities District No. 93-1 of the City of Beaumont ("CFD No. 93-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property," "Undeveloped Property," "Taxable Property Owner Association Property," "Taxable Religious Property," and "Taxable Public Property," as described below. All of the real property in Improvement Area No. 14A of CFD No. 93-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means any ordinary and necessary expenses of the City to carry out the administration of Improvement Area No. 14A of CFD No.93-1.

"Apartment" means a single dwelling unit within Developed Property of building or buildings comprised of attached residential units, all of which are made available for rental by the general public, exclusive of Condominiums.

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

"Assessor's Parcel Map" means an official map of the Assessor of the County designating parcels by Assessor's Parcel number.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by Improvement Area No. 14A under the Act.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 93-1" means City of Beaumont Community Facilities District No. 93-1.

"City" means the City of Beaumont.

"Condominium" means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

“Council” means the City Council of the City of Beaumont, acting as the legislative body of Improvement Area No. 14A of CFD No. 93-1.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property for which a building permit for new construction was issued prior to March 1 of the prior Fiscal Year.

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

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

“Improvement Area No. 14A” means Improvement Area No. 14A as depicted on the boundary map of CFD No. 93-1.

“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 below.

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

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

“One Time Special Tax” means the Special Tax that is required to be paid as a condition precedent to the recordation of final maps, as determined in accordance with Section C.2.b below.

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

“Property Owner Association Property” means any property that is owned by or dedicated to a property owner association, including any master or sub-association.

“Public Property” means any property that is used for rights-of-way or any other purpose and is owned by or dedicated to the federal government, the State, the County or any other public agency.

“Religious Property” means any property that is used primarily as a place of worship and is exempt from ad valorem property taxes because it is owned by a religious organization. Religious Property, without limitation, does not include any Assessor’s Parcels used for religious schools, day care centers, or congregate care facilities.

“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 dwelling units.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or

similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Undeveloped Property, Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required, after taking into consideration available funds pursuant to the Indenture, in any Fiscal Year for Improvement Area No. 14A to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay reasonable Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for anticipated delinquent Special Taxes based on the delinquency rate in Improvement Area No. 14A for the previous Fiscal Year, and (vi) pay directly for construction of Improvement Area No. 14A facilities eligible under the Act to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of Improvement Area No. 14A, which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Taxable Religious Property" means all Assessor's Parcels of Religious Property that are not exempt pursuant to Section E 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, Taxable Public Property, or Taxable Religious Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Improvement Area No. 14A shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the Special Tax for the applicable Land Use Class as shown in Table 1 below. The Maximum Special Tax for Residential Property consisting of single-family detached homes shall be the same for each Lot. The Maximum Special Tax for

Residential Property consisting of Condominiums or Apartments shall be the same for each dwelling unit. The Maximum Special Tax for Non-Residential Property shall be based on the amount of Acreage of the Assessor's Parcel.

TABLE 1
Maximum Special Taxes for Developed Property in
Improvement Area No. 14A of
Community Facilities District No. 93-1 (Fiscal Year 2002-2003)

Land Use Class	Description	Assigned Special Tax
1	Residential Single Family Attached Home	\$ 1,050 per Dwelling Unit
2	Residential Single Family Detached Home, less than or equal to a 4,500 square foot Parcel	\$ 1,300 per Dwelling Unit
	Residential Single Family Detached Home, greater than 4,500 square foot Parcel	\$ 1,600 per Dwelling Unit
3	Non-Residential	\$11,000 per Acre

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property shall be \$11,000 per Acre, plus any applicable One Time Special Tax determined pursuant to section C.2.b below.

b. One Time Special Tax

If at any time prior to approval of a Final Subdivision the CFD Administrator determines that there has been a reduction in the expected Residential Property dwelling units, as determined by reference to the Substantial Conformance Map, then a One Time Special Tax corresponding to such reduction shall be calculated and levied against the Assessor's Parcels on which the reduction occurred. The One Time Special Tax will be calculated using the prepayment formula approved by the City, with the following modifications:

- i.** The number by which the expected Residential Property dwelling units has been reduced multiplied by the applicable Special Tax set forth in Table 1 above, escalated pursuant to Section C.1.b shall be substituted for the Maximum Special Tax in Step 1 of the prepayment formula.

3. Taxable Property, Owner Association Property, Taxable Public Property, and Taxable Religious Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Property Owner Association Property, Taxable Public Property, and Taxable Religious Property shall be \$11,000 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement to be collected from Taxable Property in Improvement Area No. 14A of CFD No. 93-1 in the Fiscal Year. The Council shall levy the Special Tax as follows until the amount of levy equals the Special Tax Requirement, subject to limitations specified in Section 53321 of the Act.

First: The Special Tax shall be levied in equal percentages on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax for each such Assessor's Parcel;

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 in equal percentages on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Property Owner Association Property, up to the Maximum Special Tax for Taxable Property Owner Association Property;

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 in equal percentages on each Assessor's Parcel of Taxable Religious Property, up to the Maximum Special Tax for Taxable Religious Property; and

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Public Property up to the Maximum Special Tax for 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 per fiscal year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within Improvement Area No. 14A.

E. EXEMPTIONS

The Council shall not levy a Special Tax on the following:

- 1) Properties owned by entities of the State of California, federal or other public agencies, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act;
- 2) Properties designated for the following uses: Public Property, Property Owner Association Property, and Religious Property

Under no condition will the total acres of Taxable Property be less than 183.65 acres due to the exemption of Public Property, Property Owner Association Property, and Religious Property. All Public Property, Property Owner Association Property, and Religious Property will be allocated on a first in time basis. If the remaining total number of acres of land conveyed or dedicated is less than the amount stated above, then such acres shall be taxed at the applicable rates set forth in Section C above and to the extent set forth in Section D above.

F. REVIEW/APPEAL COMMITTEE

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may file a notice with CFD No. 93-1 appealing the amount of the Special Tax levied on such Assessor's Parcel. A representative of CFD No. 93-1 will then review the appeal and, if necessary, meet with the applicant. If the findings of the representative of CFD No. 93-1 verify that the amount of the Special Tax should be modified or changed, then, as appropriate, the Special Tax levy shall be corrected.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 93-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The Special Tax applicable to an Assessor's Parcel may be prepaid in full (or in part for a total tract prior to recordation) according to a prepayment formula determined by the City at the time of prepayment. The prepayment amount shall also include administrative expenses to prepare the prepayment, expenses of the fiscal agent, and expenses of any consultant retained in connection with the calculation of the prepayment amount.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a term of 50 years, commencing with Fiscal Year 1993-94.

APPENDIX I

FORMS OF CONTINUING DISCLOSURE AGREEMENTS

CONTINUING DISCLOSURE AGREEMENT

(City of Beaumont Community Facilities District No. 93-1)

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of March 1, 2003, is executed and delivered by the City of Beaumont Community Facilities District No. 93-1 (the "District") and Union Bank of California, N.A., as trustee (the "Trustee") and acting in its capacity as Dissemination Agent hereunder, in connection with the issuance of the \$21,420,000 Beaumont Financing Authority 2003 Local Agency Revenue Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to provisions of an Indenture of Trust dated as of January 15, 1994, by and between the Beaumont Financing Authority (the "Issuer") and the Trustee (the "Original Indenture") and a Third Supplemental Indenture of Trust, dated as of March 1, 2003 (the "Third Supplemental Indenture," and together with the Original Indenture, as previously amended, the "Indenture"), by and between the Authority and the Trustee. The District, the Dissemination Agent and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report or any addendum thereto provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the City Manager of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee and Dissemination Agent from time to time.

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in the SEC website located at <http://www.sec.gov/info/municipal/nrmsir.htm>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than 225 days after the end of the City’s fiscal year, commencing with fiscal year 2002-03, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the District shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall notify the District and the Dissemination Agent of such failure to receive the Annual Report. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the District and shall have no duty or obligation to review such Annual Report.

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each

Repository or to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent information is known to it, file a report with the District and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent fiscal year):

(i) The audited financial statements of the City, prepared in accordance with generally accepted accounting principles in effect from time to time. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(ii) The balance in the Reserve Fund held under the Indenture.

(iii) Total assessed valuation (per the Riverside County Assessor records) of all parcels currently subject to the Special Tax within Improvement Area Nos. 9, 10A, 12A and 14A of the District, showing the total assessed valuation for all land and the total assessed valuation for all improvements within Improvement Area Nos. 9, 10A, 12A and 14A of the District and distinguishing between the assessed value of developed property and undeveloped property.

(iv) With respect to delinquencies:

(a) delinquency information with respect to the April 10 tax payment date (including, without limitation, the parcel number of each delinquent parcel, the identity of the property owner and the amount then delinquent) for each parcel delinquent in the payment of \$2,500 or more in Special Tax or any parcels under common ownership that are responsible for \$5,000 or more of Special Tax; and

(b) the total dollar amount of delinquencies in Improvement Area Nos. 9, 10A, 12A and 14A of the District with respect to the December 10 tax payment date and, in the event that such total delinquencies with respect to the April 10 tax payment date exceed 5% of the Special Tax for the previous year, a list of all delinquent parcels, amounts of delinquencies, length of delinquency and status of any foreclosure of each such parcel.

(v) The number of certificates of occupancy issued by the City and the principal amount of prepayments of the Special Tax with respect to Improvement Area Nos. 9, 10A, 12A and 14A of the District for the prior Fiscal Year.

(vi) A land ownership summary listing property owners responsible for more than five percent (5%) of the annual Special Tax levy, as shown on the Riverside County Assessor's last equalized tax roll prior to the September next preceding the Annual Report date.

(vii) The principal amount of the Bonds outstanding and the balance in the Reserve Fund (along with a statement of the Reserve Requirement) as of the September 30 next preceding the Annual Report date.

(viii) A description of the status of the facilities being constructed with proceeds of the Bonds as of the date of the Annual Report (but only so long as such facilities are not completed), and the balance in the Improvement Fund as of the September 30 next preceding the Annual Report date (but only until such fund is closed).

(ix) The number of building permits issued in the Improvement Area Nos. 9, 10A, 12A and 14A of the District during the prior Fiscal Year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board or have been deposited with each of the Repositories. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;

8. unscheduled draws on the debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the Bonds.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, or as soon as reasonably practicable thereafter, contact the Disclosure Representative, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the District determines that the Listed Event would not be material under applicable federal securities laws, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board or the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The District’s obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District, Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the District) provided, neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in

addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders, or any other party. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District: City of Beaumont Community Facilities District No. 93-1
c/o City of Beaumont
550 East 6th Street
Beaumont, California 92223
Attn: City Manager

To the Trustee: Union Bank of California, N.A.
120 S. San Pedro Street, Suite 400
Los Angeles, California 90017
Attn: Corporation Trust Department

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

CITY OF BEAUMONT COMMUNITY
FACILITIES DISTRICT NO. 93-1

By _____
City Manager

UNION BANK OF CALIFORNIA, N.A., as
Dissemination Agent and Trustee

By _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: City of Beaumont Community Facilities District No. 93-1

Name of Bond Issue: Beaumont Financing Authority
2003 Local Agency Revenue Bonds, Series A

Date of Issuance: March 27, 2003

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of March 1, 2003, with respect to the Bonds. [The District anticipates that the Annual Report will be filed by _____.]

Dated: _____

UNION BANK OF CALIFORNIA, N.A.,
on behalf of District

cc: Issuer

CONTINUING DISCLOSURE AGREEMENT

(Property Owner)

This Continuing Disclosure Agreement (the “Disclosure Agreement”), dated as of March 1, 2003, is executed and delivered by _____ (the “Property Owner”) and Union Bank of California, N.A., as trustee (the “Trustee”) and acting in its capacity as Dissemination Agent hereunder, in connection with the issuance of the \$21,420,000 Beaumont Financing Authority 2003 Local Agency Revenue Bonds, Series A (the “Bonds”). The Bonds are being issued pursuant to provisions of an Indenture of Trust dated as of January 15, 1994, by and between the Beaumont Financing Authority (the “Issuer”) and the Trustee, as successor trustee (the “Original Indenture”) and Third Supplemental Indenture of Trust, dated as of March 1, 2003 (the “Third Supplemental Indenture,” and together with the Original Indenture, as previously amended, the “Indenture”), by and between the Issuer and the Trustee. The Property Owner, the Dissemination Agent and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Property Owner and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” of another Person means (a) a Person directly or indirectly owning, controlling, or holding with power to vote, five percent (5%) or more of the outstanding voting securities of such other Person, (b) any Person whose outstanding voting securities of five percent (5%) or more are directly or indirectly owned, controlled, or held with power to vote, by such other Person, and (c) any Person directly or indirectly controlling, controlled by, or under common control with, such other Person; for purposes hereof, control means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such Person.

“Annual Report” shall mean any Annual Report or its addendum provided by the Property Owner pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Assumption Agreement” means an undertaking of a Major Owner, or an Affiliate thereof, for the benefit of the holders and Beneficial Owners of the Bonds containing terms substantially similar to this Disclosure Agreement (as modified for such Major Owner’s development and financing plans with respect to the Improvement Area), whereby such Major Owner or Affiliate agrees to provide annual reports and notices of significant events, setting forth the information described in sections 4 and 5 hereof, respectively, with respect to the portion of the property in the Improvement Area owned by such Major Owner and its Affiliates and, at the option of the Property Owner or such Major Owner, agrees to indemnify the Dissemination Agent pursuant to a provision substantially in the form of Section 11 hereof.

“Beneficial Owner” shall mean any Person, which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the _____ of the Property Owner or his or her designee, or such other officer or employee as the Property Owner shall designate in writing to the Trustee and Dissemination Agent from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Property Owner and which has filed with the Trustee a written acceptance of such designation.

“District” shall mean Community Facilities District No. 93-1 of the City of Beaumont.

“Improvement Area” shall mean Improvement Area No. ____ of the District.

“Issuer” shall mean Beaumont Financing Authority.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Major Owner” shall mean an owner (including all Affiliates of such owner) of land in the Improvement Area responsible in the aggregate for 20% or more of the annual special taxes levied in the Improvement Area.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in the SEC website located at <http://www.sec.gov/infor/municipal/nrmsir.htm>.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Person” means an individual, a corporation, a limited liability company, a partnership, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) So long as Property Owner is a Major Owner in accordance with Section 6 hereof, Property Owner shall, or, upon written direction, shall cause the Dissemination Agent to, not later than 120 days after the end of the Property Owner’s fiscal year, commencing with fiscal year 2002-2003, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement with a copy to the Trustee and the Issuer. Not later than fifteen (15) Business Days prior to said date, Property Owner shall provide the Annual Report to the Dissemination Agent. Property Owner shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee and the Issuer to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent, the Issuer and the Trustee may conclusively rely upon such certification of Property Owner and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If Property Owner’s fiscal year changes, it shall give notice to the parties listed in Section 12 hereof.

(b) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Trustee shall send a notice to each Repository or to the Municipal Securities Rulemaking Board in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent information is known to it, file a report with the Issuer, the Property Owner and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Property Owner’s Annual Report shall contain or include by reference the following (unless otherwise stated, such information shall be as of the end of the most recent fiscal year):

(i) Relating to all property owned by Property Owner within the Improvement Area (the “Property”), a summary of the Property Owner’s development activity on the Property during the Property Owner’s last fiscal year: (A) number of acres/lots owned by the Property Owner or its Affiliates, (B) progress of construction activities on the Property, and (C) number of acres/lots sold by Property Owner or its Affiliates to end users or builders as of the end of the applicable fiscal year or a more recent date.

(ii) Any material changes in the information relating to the Property Owner and/or the Property contained in the Official Statement under the caption “THE DISTRICT” (excluding subcaptions “Market Absorption Study” and “The Appraisal”).

(iii) A description of the status of any land purchase contracts with regard to the Property.

(iv) A description of any change in the legal structure of the Property Owner and/or the financial condition of the Property Owner that would materially interfere with its ability to complete the development plan described in the Official Statement under the caption “THE DISTRICT - - The Improvement Area” (the “Development Plan”) or to pay its special taxes.

(v) A description of any material changes in the Development Plan including number of lots in “blue top” condition.

(vi) A description of any previously undisclosed material amendment to the land use entitlement for the Property.

(vii) An update of the status of any previously reported Listed Event described in Section 5 hereof.

(viii) A statement as to whether or not the Property Owner and all of its Affiliates paid, prior to their becoming delinquent, all special taxes levied on the property owned by the Property Owner and such Affiliates within the Improvement Area and if such Property Owner or any of such Affiliates is delinquent in the payment of such special taxes, a statement identifying each entity that is so delinquent, specifying the amount of each such delinquency and describing any plans to resolve such delinquency.

(ix) A description of any material changes in the financing plan of the Property Owner for the Development Plan described in the Official Statement under the caption “THE DISTRICT - - The Improvement Area” and the causes or rationale for such changes.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Property Owner or related entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board or have been deposited with each of the Repositories. The Property Owner shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, and only for so long as the Property Owner is a Major Owner, the Property Owner shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. bankruptcy or insolvency proceedings commenced by or against Property Owner or a partner or Affiliate thereof that would materially interfere with its ability to complete the Development Plan or to pay its special taxes;
2. failure to pay any taxes, special taxes or assessments due with respect to the property owned by the Property Owner within the Improvement Area;
3. filing of a lawsuit against Property Owner or a partner or Affiliate thereof seeking damages, or a judgment in a lawsuit against Property Owner or a partner or Affiliate thereof, which could have a significant impact on the Property Owner's ability to pay special taxes or to sell or develop the property within the Improvement Area owned by the Property Owner;
4. any conveyance by the Property Owner of property to an entity that is not an Affiliate of such Property Owner, the result of which conveyance is to cause the transferee to become a Major Owner;
5. any denial or termination of credit, any denial or termination of, or default under, any line of credit or loan or any other loss of a source of funds that could have a material adverse affect on the Property Owner's most recently disclosed financing plan or the ability of the Property Owner or any Affiliate to pay special taxes when due;
6. any significant amendments to land use entitlement for the Property Owner's property;
7. any previously undisclosed governmentally-imposed preconditions to commencement or continuation of development on the Property Owner's property;
8. any previously undisclosed legislative, administrative or judicial challenges to development on the Property Owner's property;
9. any change in the alignment, design or likelihood of completion of significant public improvement affecting the Property Owner's property, including major thoroughfares, sewers, water conveyance systems and similar facilities; and
10. The assumption of any obligation by a Major Owner pursuant to Section 6.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, or as soon as reasonably practicable thereafter, contact the Disclosure Representative, inform such Person of the event, and request that the Property Owner promptly notify the Dissemination Agent in writing whether or not to report the

event pursuant to subsection (f) and promptly direct the Trustee whether or not to report such event to the Bondholders. In the absence of such direction the Trustee shall not report such event unless otherwise required to be reported by the Trustee to the Bondholders under the Indenture. The Trustee may conclusively rely upon such direction (or lack thereof). For purposes of this Disclosure Agreement, “actual knowledge” of the occurrence of such Listed Events shall mean actual knowledge by the officer at the corporate trust office of the Trustee with regular responsibility for the administration of matters related to the Indenture. The Trustee shall have no responsibility to determine the materiality of any of the Listed Events.

(c) Whenever the Property Owner obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Property Owner shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Property Owner has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Property Owner shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Property Owner determines that the Listed Event would not be material under applicable federal securities laws, the Property Owner shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Property Owner to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board or the Repositories.

SECTION 6. Duration of Reporting Obligation. (a) All of the Property Owner’s obligations hereunder shall commence on such date as property owned by the Property Owner is responsible for payment of 20% or more of the special taxes in the Improvement Area and shall terminate (except as provided in Section 11) upon (i) the legal defeasance, prior redemption or payment in full of all the Bonds or (ii) so long as the Bonds are outstanding, at such time as property owned by the Property Owner is no longer responsible for payment of 20% or more of the special taxes in the Improvement Area. Upon the occurrence of any such termination or suspension prior to the final maturity of the Bonds, the Property Owner shall give notice of such termination or suspension in the same manner as for a Listed event under Section 5.

(b) If a portion of the property in the Improvement Area owned by the Property Owner, or any Affiliate of Property Owner, is conveyed to a Person that, upon such conveyance, will be a Major Owner, the obligations of Property Owner hereunder with respect to such property owned by such Major Owner and its Affiliates shall be assumed by such Major Owner or by an Affiliate thereof and the Property Owner obligations hereunder will be terminated. In order to effect such an assumption, such Major Owner or Affiliate shall enter into an Assumption Agreement. Until such time as such Assumption Agreement is entered into, the Property Owner shall continue to be responsible for the obligations hereunder.

SECTION 7. Dissemination Agent. The Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Property Owner pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Union Bank of California, N.A. The Dissemination Agent may resign by providing thirty days written notice to the Property Owner, the Issuer and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Property Owner. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Property Owner in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Property Owner, Dissemination Agent and the Trustee may amend this Disclosure Agreement (and the Trustee and Dissemination Agent shall agree to any amendment so requested by the Property Owner) provided, neither the Trustee nor the Dissemination Agent shall be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Property Owner shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Property Owner.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Property Owner from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the

Property Owner chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Property Owner shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Property Owner or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee (at the written request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges and fees of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Property Owner or Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Property Owner or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VII of the Indenture pertaining to the Trustee is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Trustee and Dissemination Agent shall be entitled to the protections, limitations from liability and indemnities afforded the Trustee thereunder. The Dissemination Agent and the Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Property Owner agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the reasonable exercise or performance of its powers and duties hereunder, including the reasonable costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding losses, expenses or liabilities due to the Dissemination Agent's or Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Property Owner for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all reasonable expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Property Owner, the Bondholders, or any other party. Neither the Trustee or the Dissemination Agent shall have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from this Agreement. The obligations of the Property Owner under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Beaumont Financing Authority
 550 East 6th Street
 Beaumont, California 92223
 Attn: City Manager

To the Trustee: Union Bank of California, N.A.
 120 S. San Pedro Street, 4th Floor
 Los Angeles, California 90012
 Attn: Corporation Trust Department

To the Property Owner: _____

 Attn: _____

Any Person may, by written notice to the other Persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Property Owner, the Trustee, the Dissemination Agent, the Participating Underwriter and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other Person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[NAME OF PROPERTY OWNERS]

By _____
 Authorized Officer

UNION BANK OF CALIFORNIA, N.A.,
 as Dissemination Agent and Trustee

By _____
 Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Party: _____

Name of Bond Issue: Beaumont Financing Authority
2003 Local Agency Revenue Bonds, Series A

Date of Issuance: March 27, 2003

NOTICE IS HEREBY GIVEN that the Property Owner has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of March 1, 2003, with respect to the Bonds. [The Property Owner anticipates that the Annual Report will be filed by _____.]

Dated: _____

UNION BANK OF CALIFORNIA, N.A.,
on behalf of Property Owner

cc: Issuer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX J

FORM OF BOND COUNSEL OPINION

Upon delivery of the Bonds in definitive form, McFarlin & Anderson, Lake Forest, California, Bond Counsel to the Beaumont Financing Authority, proposes to render its final approving opinion with respect thereto in substantially the following form:

[CLOSING DATE]

Beaumont Financing Authority
550 East Sixth Street
Beaumont, California 92223

Re: Beaumont Financing Authority
2003 Local Agency Revenue Bonds, Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Beaumont Financing Authority (the "Authority") in connection with the issuance by the Authority of \$21,420,000 aggregate principal amount of 2003 Local Agency Revenue Bonds, Series A (the "Authority Bonds"). The Authority Bonds are being issued pursuant to and by authority of the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California and the Indenture of Trust, dated as of January 15, 1994, between the Authority and Union Bank of California, N.A. (successor to BNY Western Trust Company which was successor to Meridian Trust Company of California) (the "Trustee"), as amended and supplemented by the First Supplemental Indenture of Trust, dated as of June 1, 2000 by and between the Authority and the Trustee, as amended and supplemented by the Second Supplemental Indenture of Trust, dated as of March 1, 2002 by and between the Authority and the Trustee and as amended and supplemented by the Third Supplemental Indenture of Trust, dated as of January 1, 2003 (collectively, the "Authority Indenture"). The Authority Bonds have been issued by the Authority to purchase from the City of Beaumont Community Facilities District No. 93-1 (the "District") four separate series of its special tax bonds for Improvement Area Nos. 9, 10A, 12A and 14A, respectively (collectively, the "District Bonds"), the proceeds of which will be used to provide funds relating to the acquisition and construction of certain public facilities to be acquired and constructed on behalf of the District.

In such connection, we have examined the record of the proceedings submitted to us relative to the issuance of the Authority Bonds, including the Authority Indenture, the Tax Certificate dated the date hereof by the Authority, the District and the City, certifications of the Authority, the District, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Authority Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Authority Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Authority Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Authority Bonds has concluded with their issuance and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Authority Indenture, the Tax Certificate and in certain other documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions and events will not cause interest on the Authority Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Authority Bonds, the Authority Indenture and the Tax Certificate are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and cities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion upon the plans, specifications, maps, financial reports, appraisals, market studies and other engineering or financial details of the proceedings, or upon the validity of special taxes levied by the District upon any individual separate parcel within Improvement Area Nos. 9, 10A, 12A and 14A. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Authority Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Authority Bonds constitute the valid and binding limited obligations of the Authority, payable solely from the Revenues (as defined in the Authority Indenture), and any other amounts (including proceeds of the sale of the Authority Bonds) held by the Trustee in any fund or account, except the Rebate Fund, established pursuant to the Authority Indenture, subject to the provisions of the Authority Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Authority Indenture.

2. The Authority Indenture has been duly executed and delivered by, and constitutes the valid and binding limited obligation of, the Authority.

3. Interest on the Authority Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Authority Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other federal or state tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Authority Bonds.

The foregoing represents our interpretation of applicable law to the facts as described herein. We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of a result.

Sincerely,

McFARLIN & ANDERSON

[THIS PAGE INTENTIONALLY LEFT BLANK]