



**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

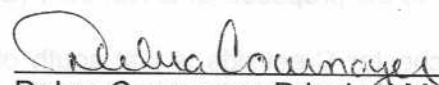
FROM: EXECUTIVE OFFICE

SUBMITTAL DATE:
July 17, 2006

SUBJECT: Initiation of Proceedings to form Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside.

RECOMMENDED MOTION: That the Board: (1) approve and authorize the Chairman to execute the attached Fee Deposit and Reimbursement Agreements; (2) adopt Resolution No. 2006-302 of its Intention to Establish Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside, to Designate Improvement Areas, and to Authorize the Levy of a Special Tax; (3) adopt Resolution No. 2006-303 to Incur Bonded Indebtedness; and, (4) set the Public Hearing consistent with the resolutions, for October 3, 2006 at 9:30 or as soon thereafter as the Board may reach the matter.


Continued on Page 2


Debra Cournoyer, Principal Management Analyst

FORM APPROVED
COUNTY COUNSEL

AUG 14 2006

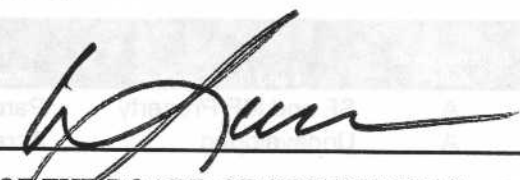
Departmental Concurrence

BY 

FINANCIAL DATA	Current F.Y. Total Cost:	\$	In Current Year Budget:
	Current F.Y. Net County Cost:	\$	Budget Adjustment:
	Annual Net County Cost:	\$	For Fiscal Year:

SOURCE OF FUNDS: CFD bond funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

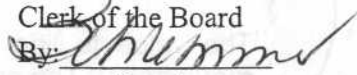
C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature 

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Wilson and duly carried, IT WAS ORDERED that the above matter is approved as recommended, setting the matter for public hearing on Tuesday, October 3, 2006 at 9:30 a.m.

Ayes: Buster, Tavaglione, Stone and Wilson
Nays: None
Absent: Ashley
Date: August 29, 2006
xc: E.O., COB(2)

Nancy Romero
Clerk of the Board
By: 
Deputy

Dep't Recomm.: Policy Consent
Per Exec. Ofc.: Policy Consent

Prev. Agn. Ref.: ATTACHMENTS FILED WITH THE CLERK OF THE BOARD | **District:** 3 | **Agenda Number:** 9.3

BACKGROUND: Property owners in the vicinity of the Winchester / Menifee area have requested that the County form a community facilities district to fund improvements in the area consistent with Board Policy B-12.

A deposit in the amount of \$25,000 has been deposited to be applied to pay, in part, those professional services, which must be contracted for by the County in evaluating the Developer's application and establishing the District. The Formation Act provides that incidental costs associated with the establishment of a district may be advanced and the amounts advanced may be included as costs to be supported by the special taxes to be levied if bonds are sold and issued. This agreement will establish the framework by which the Developer is to advance additional fees for professional services necessary to evaluate the application and establish the District and to reimburse the Developer for monies advanced should the District be established and bonds be sold and issued.

It is the intent of the County that the proposed CFD will issue bonds to fund public improvements including school sites for Hemet Unified School District. The proposed district contains three improvement areas (numbered 'A' through 'C'). It is a Participant CFD to the proposed CFD No. 05-1 (Salt Creek Bridges).

Winchester Creekside is just south of Salt Creek and west of Winchester Road. It is generally located in the Menifee / Winchester Valley area, in an unincorporated area of southern Riverside County.

It is estimated that \$49 million in Special Tax Bonds will be issued to finance the improvements of the three improvement areas. Principal and interest payments on the bonds will be made to the bondholders until 2036. The special tax rates are sufficient to support the bonded indebtedness to be incurred by the proposed district and are consistent with Board Policy B-12 regarding overlapping debt limitations for residential development.

There are approximately 413 single-family and 718 multifamily dwelling units approved within the boundaries of the proposed CFD. Sufficient funds will be generated by the developed property to pay the annual debt service. The assigned annual special tax for developed property will escalate annually. Below is a table of the initial assigned annual special tax range for a single family unit and the maximum annual special tax per acre for undeveloped property:

Improvement Area	Land Use Category	Taxable Parcel/Acre	Special Tax Rate
A	SF and MF Property	Parcel	\$1,176 - \$3,954
A	Undeveloped	Acre	\$47,762
B	Single Family Property	Parcel	\$3,056 - \$3,851
B	Undeveloped	Acre	\$22,897
C	SF and MF Property	Parcel	\$1,507 - \$3,484
C	Undeveloped	Acre	\$33,990

The value to lien ratio is anticipated to be sufficient to meet the County's 3 to 1 requirement. The proposed project is not requesting any waivers of County policy.

RESOLUTION NO. 2006-302

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE OF INTENTION TO ESTABLISH A COMMUNITY FACILITIES DISTRICT, TO DESIGNATE IMPROVEMENT AREAS AND TO AUTHORIZE THE LEVY OF SPECIAL TAXES AND SETTING A DATE AND TIME FOR A PUBLIC HEARING THEREON

Community Facilities District No. 05-3 (Winchester Creekside)

WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County of Riverside (the "County") has received written petitions (the "Petitions") from Pulte Home Corporation, Trimark Pacific-Homestead, LLC, SF 150, LLC and Continental Residential, Inc. (collectively, the "Landowners"), requesting the institution of proceedings for the establishment of a community facilities district (the "Community Facilities District");

WHEREAS, each Landowner's Petition also requests that proceedings be instituted to designate an improvement area within the Community Facilities District, the boundaries of which improvement area would include such Landowner's property that is within the proposed boundaries of the Community Facilities District;

WHEREAS, in total, the Petitions request that proceedings be instituted to designate three improvement areas within the Community Facilities District (each, an "Improvement Area");

WHEREAS, each of certain of the Landowners has represented and warranted to the Board of Supervisors that such Landowner is the owner of not less than 10% of the area of land proposed to be included within the Community Facilities District;

WHEREAS, each Landowner has represented and warranted to the Board of Supervisors that such Landowner is the owner of not less than 10% of the area of land proposed to be included within the Improvement Area, the institution of proceedings to designate which is requested in such Landowner's Petition;

1 **WHEREAS**, under the Mello-Roos Community Facilities Act of 1982 (the "Act"), the
2 Board of Supervisors is authorized to establish the Community Facilities District and designate
3 the Improvement Areas within the Community Facilities District;

4 **WHEREAS**, Section 53314.9 of the California Government Code (the "Government
5 Code") provides that, at any time either before or after the formation of a community facilities
6 district, the legislative body may accept advances of funds from any source, including, but not
7 limited to, private persons or private entities and may provide, by resolution, for the use of those
8 funds for any authorized purpose, including, but not limited to, paying any cost incurred by the
9 local agency in creating a community facilities district;

10 **WHEREAS**, Section 53314.9 of the Government Code further provides that the
11 legislative body may enter into an agreement, by resolution, with the person or entity advancing
12 the funds, to repay all or a portion of the funds advanced, as determined by the legislative body,
13 with or without interest, under all the following conditions: (a) the proposal to repay the funds is
14 included in both the resolution of intention to establish a community facilities district adopted
15 pursuant to Section 53321 of the Government Code and in the resolution of formation to establish
16 a community facilities district pursuant to Section 53325.1 of the Government Code, (b) any
17 proposed special tax is approved by the qualified electors of the community facilities district
18 pursuant to the Act, and (c) any agreement shall specify that if the qualified electors of the
19 community facilities district do not approve the proposed special tax, the local agency shall return
20 any funds which have not been committed for any authorized purpose by the time of the election
21 to the person or entity advancing the funds;

22 **WHEREAS**, the County and the Landowners expect to enter into a Fee Deposit and
23 Reimbursement Agreement, dated as of June 1, 2006 (the "Deposit Agreement"), that provides for
24 the advancement of funds by the Landowners to be used to pay costs incurred in connection with
25 the establishment of the Community Facilities District and the issuance of special tax bonds
26 thereby, and provides for the reimbursement to the Landowners of such funds advanced, without
27 interest, from the proceeds of any such bonds issued by the Community Facilities District; and
28

1 **WHEREAS**, the County desires to include in this Resolution, in accordance with Section
2 53314.9 of the Government Code, the proposal to repay funds pursuant to the Deposit Agreement;

3 **NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF**
4 **RIVERSIDE**, in regular session assembled on August 29, 2006, does hereby resolve, find,
5 determine and order as follows:

6 **Section 1.** The Board of Supervisors hereby finds that the Petitions are signed by the
7 requisite number of owners of land proposed to be included in the Community Facilities District.

8 **Section 2.** The Board of Supervisors proposes to establish a community facilities district
9 under the terms of the Act. For purposes of contributing to the financing of the public facilities to
10 be financed by the Community Facilities District, the Board of Supervisors proposes to designate
11 portions of the Community Facilities District as three improvement areas. The boundaries of the
12 territory proposed for inclusion in the Community Facilities District, and each portion of the
13 Community Facilities District proposed to be designated as an Improvement Area, are described
14 in the map showing the proposed Community Facilities District and each proposed Improvement
15 Area (the "Boundary Map") on file with the Clerk to the Board of Supervisors (the "Clerk"),
16 which boundaries are hereby preliminarily approved and to which map reference is hereby made
17 for further particulars. The Clerk is hereby directed to sign the original Boundary Map and
18 record, or cause to be recorded, the Boundary Map with all proper endorsements thereon in the
19 office of the Riverside County Recorder within 15 days of the date of adoption of this Resolution,
20 all as required by Section 3111 of the California Streets and Highways Code.

21 **Section 3.** The name proposed for the Community Facilities District is "Community
22 Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside." The
23 Improvement Areas designated within the Community Facilities District are proposed to be
24 known as "Improvement Area A of Community Facilities District No. 05-3 (Winchester
25 Creekside) of the County of Riverside" ("Improvement Area A"), "Improvement Area B of
26 Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside"
27 ("Improvement Area B") and "Improvement Area C of Community Facilities District No. 05-3
28 (Winchester Creekside) of the County of Riverside" ("Improvement Area C").

1 **Section 4.** The public facilities (the "Facilities") proposed to be financed by the
2 Community Facilities District, and to the financing of which each Improvement Area is proposed
3 to contribute, pursuant to the Act are described under the caption "Facilities" on Exhibit A hereto,
4 which is by this reference incorporated herein. Those Facilities proposed to be purchased as
5 completed public facilities are described under the caption "Facilities to be Purchased" on Exhibit
6 A hereto. The incidental expenses proposed to be incurred are identified under the caption
7 "Incidental Expenses" on Exhibit A hereto. All or any portion of the Facilities may be financed
8 through a financing plan, including, but not limited to, a lease, lease-purchase or installment-
9 purchase arrangement.

10 **Section 5.** Except where funds are otherwise available, a special tax sufficient to pay for
11 all Facilities will be annually levied within the Improvement Areas, secured by recordation of a
12 continuing lien against all nonexempt real property in each Improvement Area.

13 The rate and method of apportionment of the special tax for Improvement Area A (the
14 "Improvement Area A Rate and Method"), in sufficient detail to allow each landowner within the
15 proposed Improvement Area A to estimate the maximum amount that he or she will have to pay,
16 is described in Exhibit B attached hereto, which is by this reference incorporated herein. The
17 conditions under which the obligation to pay the special tax for Improvement Area A may be
18 prepaid and permanently satisfied are specified in the Improvement Area A Rate and Method.
19 The special tax for Improvement Area A will be collected in the same manner as ordinary *ad*
20 *valorem* property taxes or in such other manner as the Board of Supervisors shall determine,
21 including direct billing of the affected property owners. The tax year after which no further
22 special tax will be levied against any parcel within Improvement Area A used for private
23 residential purposes is specified in the Improvement Area A Rate and Method. Under no
24 circumstances shall the special tax levied against any parcel within Improvement Area A used for
25 private residential purposes be increased as a consequence of delinquency or default by the owner
26 of any other parcel or parcels within Improvement Area A by more than 10%.

27 The rate and method of apportionment of the special tax for Improvement Area B (the
28 "Improvement Area B Rate and Method"), in sufficient detail to allow each landowner within the

1 proposed Improvement Area B to estimate the maximum amount that he or she will have to pay,
2 is described in Exhibit C attached hereto, which is by this reference incorporated herein. The
3 conditions under which the obligation to pay the special tax for Improvement Area B may be
4 prepaid and permanently satisfied are specified in the Improvement Area B Rate and Method.
5 The special tax for Improvement Area B will be collected in the same manner as ordinary *ad*
6 *valorem* property taxes or in such other manner as the Board of Supervisors shall determine,
7 including direct billing of the affected property owners. The tax year after which no further
8 special tax will be levied against any parcel within Improvement Area B used for private
9 residential purposes is specified in the Improvement Area B Rate and Method. Under no
10 circumstances shall the special tax levied against any parcel within Improvement Area B used for
11 private residential purposes be increased as a consequence of delinquency or default by the owner
12 of any other parcel or parcels within Improvement Area B by more than 10%.

13 The rate and method of apportionment of the special tax for Improvement Area C (the
14 "Improvement Area C Rate and Method"), in sufficient detail to allow each landowner within the
15 proposed Improvement Area C to estimate the maximum amount that he or she will have to pay,
16 is described in Exhibit D attached hereto, which is by this reference incorporated herein. The
17 conditions under which the obligation to pay the special tax for Improvement Area C may be
18 prepaid and permanently satisfied are specified in the Improvement Area C Rate and Method.
19 The special tax for Improvement Area C will be collected in the same manner as ordinary *ad*
20 *valorem* property taxes or in such other manner as the Board of Supervisors shall determine,
21 including direct billing of the affected property owners. The tax year after which no further
22 special tax will be levied against any parcel within Improvement Area C used for private
23 residential purposes is specified in the Improvement Area C Rate and Method. Under no
24 circumstances shall the special tax levied against any parcel within Improvement Area C used for
25 private residential purposes be increased as a consequence of delinquency or default by the owner
26 of any other parcel or parcels within Improvement Area C by more than 10%.

1 For purposes of this Section, a parcel shall be considered "used for private residential
2 purposes" not later than the date on which an occupancy permit for private residential use is
3 issued.

4 **Section 6.** Pursuant to Section 53344.1 of the Government Code, the Board of
5 Supervisors hereby reserves to itself the right and authority to allow any interested owner of
6 property within an Improvement Area, subject to the provisions of said Section 53344.1 and to
7 those conditions as it may impose, and any applicable prepayment penalties as prescribed in the
8 bond indenture or comparable instrument or document for that Improvement Area, to tender to the
9 Community Facilities District treasurer in full payment or part payment of any installment of the
10 special taxes or the interest or penalties thereon which may be due or delinquent, but for which a
11 bill has been received, any bond or other obligation of the Community Facilities District for such
12 Improvement Area secured thereby, the bond or other obligation to be taken at par and credit to be
13 given for the accrued interest shown thereby computed to the date of tender.

14 **Section 7.** The Board of Supervisors hereby fixes Tuesday, October 3, 2006, at 9:30 a.m.,
15 or as soon thereafter as the Board of Supervisors may reach the matter, at the Board of
16 Supervisors Chambers, 4080 Lemon Street, 1st Floor, Riverside, California, as the time and place
17 when and where the Board of Supervisors will conduct a public hearing on the establishment of
18 the Community Facilities District and the designation of the Improvement Areas.

19 **Section 8.** The Clerk is hereby directed to publish, or cause to be published, a notice of
20 said public hearing, as prepared and approved by bond counsel, one time in *The Press-Enterprise*,
21 a newspaper of general circulation published in the area of the Community Facilities District. The
22 publication of said notice shall be completed at least seven days prior to the date herein fixed for
23 said hearing. Said notice shall contain the information prescribed by Section 53322 of the
24 Government Code.

25 The Clerk is hereby further directed to give notice of said public hearing, as prepared and
26 approved by bond counsel, by first-class mail to each registered voter and to each landowner
27 within the Community Facilities District. Said notice shall be mailed at least 15 days prior to the
28

1 date of said hearing and shall contain the same information as is required to be contained in the
2 notice published pursuant to Section 53322 of the Government Code.

3 **Section 9.** The levy of said proposed special tax in each Improvement Area shall be
4 subject to the approval of the qualified electors of such Improvement Area at a separate special
5 election. The proposed voting procedure for the election in each Improvement Area shall be by
6 mailed or hand-delivered ballot among the landowners in such Improvement Area, with each
7 owner within such Improvement Area having one vote for each acre or portion of an acre such
8 owner owns in such Improvement Area.

9 **Section 10.** Each officer of the County who is or will be responsible for providing one or
10 more of the proposed types of Facilities is hereby directed to study, or cause to be studied, the
11 proposed Community Facilities District and, at or before said public hearing, file a report with the
12 Board of Supervisors containing a brief description of the public facilities by type which will in
13 his or her opinion be required to adequately meet the needs of the Community Facilities District,
14 and his or her estimate of the cost of providing the Facilities. Such officers are hereby also
15 directed to estimate the fair and reasonable cost of completed public facilities proposed to be
16 purchased and the incidental expenses proposed to be paid. Such report shall be made a part of
17 the record of said public hearing.

18 **Section 11.** In the opinion of the Board of Supervisors, the public interest will not be
19 served by allowing the property owners within the proposed Community Facilities District to
20 enter into a contract in accordance with subdivision (a) of Section 53329.5 of the Government
21 Code and, accordingly, the Board of Supervisors hereby provides that such property owners may
22 not enter into a contract in accordance with said subdivision.

23 **Section 12.** The Landowners have heretofore advanced certain funds, and may advance
24 additional funds, to the County, which have been or may be used to pay costs incurred in
25 connection with the creation of the Community Facilities District and the issuance of special tax
26 bonds thereby. The Board of Supervisors proposes to repay all or a portion of such funds
27 expended for such purpose, from the proceeds of such bonds, pursuant to the Deposit Agreement.
28 The Deposit Agreement is hereby incorporated herein as though set forth in full herein.

1 EXHIBIT A

2 **FACILITIES, FACILITIES TO BE PURCHASED**
3 **AND INCIDENTAL EXPENSES**

4 **Facilities**

5 The types of facilities to be financed by the Community Facilities District are street
6 improvements, including grading, paving, curbs and gutters, sidewalks, street signalization and
7 signage, street lights and parkway and landscaping related thereto, sewers, storm drains, water
8 facilities and school facilities and land, rights-of-way and easements necessary for any of such
9 facilities.

10 **Facilities to be Purchased**

11 The types of facilities to be purchased as completed facilities are street improvements,
12 including grading, paving, curbs and gutters, sidewalks, street signalization and signage, street
13 lights and parkway and landscaping related thereto, sewers, storm drains and water facilities and
14 land, rights-of-way and easements necessary for any of such facilities.

15 **Incidental Expenses**

16 The incidental expenses proposed to be incurred include the following:

17 (a) the cost of planning and designing public facilities to be financed, including the
18 cost of environmental evaluations of those facilities;

19 (b) the costs associated with the creation of the Community Facilities District,
20 issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or
21 costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities
22 District; and

23 (c) any other expenses incidental to the construction, completion, and inspection of the
24 authorized work.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT B

PROPOSED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
FOR IMPROVEMENT AREA A

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT NO. 05-3
(WINCHESTER CREEKSIDE)
OF THE COUNTY OF RIVERSIDE**

A Special Tax (all capitalized terms are defined in Section A. Definitions below), shall be levied on each Parcel of Taxable Property located within the boundaries of Improvement Area A (the "Improvement Area") of Community Facilities District No. 05-3 (Winchester Creekside) of the County. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2006-2007, on a Parcel shall be determined by the Legislative Body, by applying the appropriate rate of Special Tax for each category of Taxable Property, as calculated consistent with Sections B., C., and D., below, unless the Parcel is Exempt Property, as provided for in Section E., below. All of the real property within the Improvement Area, unless exempted by law or Section E., 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 acreage of a Parcel as stated on the most recent Assessor's Parcel Map, or if the acreage is not shown on such Assessor's Parcel Map, the acreage as determined from the applicable Final Map, or similar instrument.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the CFD as determined by the Administrator to be chargeable or allocable to the Improvement Area and are allowed by the Act and the Indenture, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, initiating and prosecuting a foreclosure action on a Parcel, trustee/fiscal agent expenses and fees, rebate compliance calculation fees, initiating or defending any litigation involving the Improvement Area, continuing disclosure undertakings of the CFD and/or the County, all communications with bondholders, property owners, or other interested persons and the costs of County staff, consultants, and legal counsel incurred on behalf of the CFD with respect to the Improvement Area in performing such administrative responsibilities.

“Administrator” means the County Executive Officer of the County, or his or her designee.

“Approved Property” means, for each Fiscal Year, all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a building permit prior to the April 1st preceding said Fiscal Year.

“Assessor’s Parcel Map” means, for each Fiscal Year, the official map(s) of the Assessor of the County designating each Parcel by an Assessor’s parcel number.

“Assigned Special Tax” means the Special Tax determined in accordance with Section C, below.

“Assumed Administrative Expenses” means, (a) for Fiscal Year 2006-07, \$70,000; and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Assumed Administrative Expenses on each July 1, from and including July 1, 2007 to and including the July 1 in such Fiscal Year, by 2.00% of the amount in effect for the previous Fiscal Year.

“Backup Special Tax” means the Special Tax determined in accordance with Section C, below.

“Bonds” means any bonds or other debt (as defined in the Act) issued by the CFD for the Improvement Area and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 05-3 (Winchester Creekside) of the County established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Parcels of Taxable Property, not classified as Public Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year and (ii) for which a building permit for new construction has been issued prior to April 1st of the preceding Fiscal Year.

“Exempt Property” means, for each Fiscal Year, any Parcel which is exempt from the Special Taxes pursuant to Section E., below.

“Final Map” means a recorded final map, parcel map, or lot line adjustment, by which a subdivision of property has been made pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or a recorded condominium plan approved pursuant to California Civil Code Section 1352 that creates Parcels for which building permits may be issued without further subdivision, as determined by the Administrator.

“Fiscal Year” means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2006.

“Improvement Area” means Improvement Area A of Community Facilities District No. 05-3 (Winchester Creekside) of the County, the boundaries of which are identified on the boundary map for the CFD, attached hereto as Exhibit A.

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

“Land Use Category” means the following land use categories: Single Family Property, Multifamily Property, Non-Residential Property, Multiple Land Use Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners’ Association Property and Exempt Property.

“Legislative Body” means the Board of Supervisors of the County acting *ex officio* as the Legislative Body of the CFD.

“Maximum Special Tax” means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C., which can be levied in such Fiscal Year on any Parcel.

“Multifamily Property” means, for each Fiscal Year, all Parcels of Residential Property for which a building permit has been issued to construct attached residential units that are under common management and are available for rental, but not purchase, by the general public, as determined by the Administrator.

“Multiple Land Use Property” means, for each Fiscal Year, all Parcels of Developed Property assigned to more than one Land Use Category (e.g. one structure containing both Non-Residential Property and Residential Property) as determined by the Administrator.

“Non-Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for non-residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Non-Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel, or if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Non-Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for any type of non-residential use, as determined by the Administrator.

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

“Parcel” means, for each Fiscal Year, each lot or parcel within the boundary of the Improvement Area, as shown on an Assessor’s Parcel Map to which an Assessor’s parcel number has been assigned.

“Property Owners’ Association Property” means, for each Fiscal Year, any Parcel which, as of the January 1 preceding said Fiscal Year, is owned by a property owners’ association, including any master or sub-association. Property Owners’ Association Property includes, but is not limited to property dedicated and restricted for the use as streets, open space, park, habitat reserve, golf course clubhouse or recreational facilities.

“Proportionately” means for: (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned or Backup Special Tax, as applicable, is the same for all Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax, as applicable, is the same for all Parcels of Approved Property, (iii) Undeveloped Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Undeveloped Property, (iv) Taxable Property Owners’ Association Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Property Owners’ Association Property, and (v) Taxable Public Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Public Property.

“Public Property” means, for each Fiscal Year, any Parcel within the boundary of the Improvement Area which, as of the January 1 preceding said Fiscal Year, is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other public agency, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement; provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use. Public Property includes, but is not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools, or property dedicated and restricted for the use as open space, park or habitat reserve.

“Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel or, if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for a residential dwelling units, as determined by the Administrator.

“Single Family Property” means, for each Fiscal Year, any Parcel of Residential Property, other than Multifamily Property, for which a building permit has been issued for attached or detached residential units, as determined by the Administrator.

“Special Tax” means the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means, for each Fiscal Year, that amount required in each Fiscal Year to pay: (i) annual debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction costs of facilities, provided such amount does not

cause an increase in the Special Tax levy on Approved Property or Undeveloped Property; and (vi) any amounts required to establish or replenish any reserve funds for the Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Taxable Property” means, for each Fiscal Year, all Parcels in the Improvement Area which are not Exempt Property.

“Taxable Property Owners’ Association Property” means, for each Fiscal Year, any Parcel of Property Owners’ Association Property which is not Exempt Property.

“Taxable Public Property” means, for each Fiscal Year, any Parcel of Public Property which is not Exempt Property.

“Total Floor Area” means for any Parcel of Multiple Land Use Property the sum of the Residential Floor Area and Non-Residential Floor Area.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property for which a Final Map has not been recorded prior to January 1 of said Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, all Parcels shall be categorized as either Developed Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners' Association Property or Exempt Property, and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., D., and E., below.

Developed Property shall further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall further be classified as Single Family Property or Multifamily Property.

C. SPECIAL TAX RATES

1. Developed Property

a. Maximum Special Tax

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Base Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year. For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year.

For each Fiscal Year, commencing with Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Non-Residential Property and Multifamily Property shall be the applicable Assigned Special Tax for such Fiscal Year.

b. Assigned Special Tax

i. Base Assigned Special Tax

The Base Assigned Special Tax for each Land Use Category of Developed Property shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category. Table 1 sets forth the Base Assigned Special Tax for Fiscal Year 2006-2007 for each Land Use Category of Developed Property.

TABLE 1
Developed Property
Base Assigned Special Taxes
For Fiscal Year 2006-2007

(1) Land Use Category	(2) Taxable Parcel/Acre	(3) Residential Floor Area	(4) Base Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 1,199 sq ft	\$1,716
Single Family Property	Parcel	1,200 – 1,599 sq ft	\$1,971
Single Family Property	Parcel	1,600 – 2,599 q ft	\$2,303
Single Family Property	Parcel	2,600 – 2,999 sq ft	\$3,235
Single Family Property	Parcel	3,000 – 3,499 sq ft	\$3,557
Single Family Property	Parcel	≥ 3,500 sq ft	\$3,954
Multifamily Property	Acre	N/A	\$47,762
Non – Residential Property	Acre	N/A	\$47,762

For each Fiscal Year following Fiscal Year 2006-2007, the Base Assigned Special Tax shall increase by an amount equal to 2.00% of the Base Assigned Special Tax in effect for the prior Fiscal Year.

ii. Assigned Special Tax Through Adjustment Date Fiscal Year

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

iii. Assigned Special Tax After Adjustment Date Fiscal Year

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

In order to set forth and describe the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category, as adjusted pursuant to this Section C.1.b.iii, the Administrator shall, within 15 days after the Adjustment Date, complete the table set forth in Exhibit B hereto by inserting therein the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category for Fiscal Year 2006-07, after giving effect to the adjustment in such Assigned Special Tax made pursuant to this Section C.1.b.iii. Additionally, the Administrator shall, within 15 days after the Adjustment Date, record with the Riverside County Recorder an Addendum to the Notice of Special Tax Lien for the CFD, which Addendum shall reference the book and page and recording date of the Notice of Special Tax Lien for the CFD and any amendments to it, shall include the table set forth in Exhibit B hereto and shall otherwise clearly set forth the adjustments in said Assigned Special Taxes.

iv. Definitions

“Adjusted CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Single Family Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjustment Date” means the date of initial issuance of CFD No. 05-1 Bonds.

“Base Assigned Special Tax” means the Base Assigned Special Tax for each Land Use Category of Developed Property, as set forth in Section C.1.b.i hereof, which shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category.

“CFD No. 05-1” means Community Facilities District No. 05-1 (Salt Creek Bridges) of the County of Riverside.

“CFD No. 05-1 Bonds” means any bonds or other debt (as defined in the Act) issued by CFD No. 05-1 and secured by the levy of CFD No. 05-1 special taxes.

“Developed Multifamily Property for CFD No. 05-1” has the meaning ascribed to Developed Multifamily Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Non-Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Non-Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Single Family Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

c. Backup Special Tax

For Fiscal Year 2006-2007, the Backup Special Tax for each Parcel of Single Family Property shall be determined by multiplying \$47,762 per Acre by the total Acreage of Taxable Single Family Property within the Final Map that includes such Parcel, and dividing such amount by the number of Parcels of Single Family Property within the Final Map.

Notwithstanding the foregoing, if the number of Parcels of Single Family Property in a specific Final Map is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for each Parcel will be recalculated by dividing the aggregate amount of Backup Special Tax determined for the Parcels of Single Family Property within the changed or modified area of said Final Map, by the new number of Parcels of Single Family Property in such area so that such changed or modified area shall be subject to the same aggregate Backup Special Tax.

For each Fiscal Year following Fiscal Year 2006-2007, such Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.

d. Multiple Land Use Property

In some instances a Parcel of Developed Property may be assigned to more than one Land Use Category. The Assigned Special Tax levied on such a Parcel shall be the sum of the Assigned Special Tax levies for all Land Use Categories on that Parcel. The Maximum Special Tax levied on a Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Categories on that Parcel.

For purposes of calculating the Backup Special Tax (but not the Assigned Special Tax) for each Land Use Category under such circumstances, the Acreage assigned to each Land Use Category shall be based on the proportion of Residential Floor Area or Non-Residential Floor Area that is built for each Land Use Category as compared with the Total Floor Area built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

2. Approved Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Approved Property shall be \$47,762 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

3. Undeveloped Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Undeveloped Property shall be \$47,762 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

4. Taxable Public Property and/or Taxable Property Owners' Association Property.

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Taxable Public Property and/or Taxable Property Owners' Association Property shall be \$47,762 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Legislative Body shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the Special Tax Requirement in accordance with the following steps:

First: For each Fiscal Year to and including the Fiscal Year in which the initial issuance of Bonds occurs, the Special Tax shall be levied on each Parcel of Developed Property at 100% of the applicable Assigned Special Tax. For each Fiscal Year after the Fiscal Year of the issuance of Bonds, the Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Maximum Special Tax, as needed to satisfy the Special Tax Requirement;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Property Owners' Association Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Sixth: If additional moneys are need to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances shall the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the Improvement Area.

E. EXEMPTIONS

Land, conveyed or irrevocably offered for dedication to a public agency after formation of the CFD and not otherwise exempt pursuant to this Section E, shall be subject to the levy of Special Tax pursuant to Section 53317.3 or 53317.5 of the Act.

Notwithstanding, the above, the Special Tax shall not be imposed upon any of the following:

- (1) The Legislative Body shall not levy Special Taxes on up to 19.72 Acres of Public Property.
- (2) The Legislative Body shall not levy Special Taxes on up to 10.56 Acres of Property Owners' Association Property.

If the limit of Acres within one of the categories described in (1) or (2) above has not been reached, the Legislative Body may, at its discretion as and when it deems appropriate, reallocate and transfer all or a portion of the remaining Acres in said category to the other category.

After the limit of Acres within each of the above categories has been reached, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property may be prepaid pursuant to the provision within Section H. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, such Taxable Public Property and/or Taxable Property Owners' Association Property will be subject to the levy of the Special Tax as provided for in the fifth and sixth steps of Section D.

In addition, the Special Tax shall not be imposed on up to 23.34 acres of Non-Residential Property.

F. MANNER OF COLLECTION, PENALTIES, PROCEDURE & LIEN PRIORITY

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the CFD may directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until redeemed.

G. APPEALS

Any owner of a Parcel claiming that the amount of the Special Tax levied on such Parcel is not correct and/or requesting a refund may file a written notice of appeal with the Administrator once the Special Tax in dispute has been paid but, not later than 12 months after the mailing of the property tax bill on which the Special Tax appears. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, convene the CFD Special Tax Review Board and decide the appeal. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

H. PREPAYMENT OF SPECIAL TAX

The Maximum Special Tax obligation may only be prepaid and permanently satisfied after all authorized Bonds of the Improvement Area have been issued.

No Special Tax prepayment in full or prepayment in part shall be allowed unless the amount of Maximum Special Taxes, based on the categorization and classification hereunder of all Parcels on the date of the calculation, that may be levied on Taxable Property in each Fiscal Year commencing with the Fiscal Year of the proposed prepayment is at least equal to the sum of (a) 1.1 times the debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (b) the Assumed Administrative Expenses for such Fiscal Year.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, or Undeveloped Property, for which a building permit has been issued, or Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 business days prior to any redemption date, unless authorized by the Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall equal the sum of the amount as identified below (capitalized terms as defined below):

	Bond Redemption Amount	
plus	Redemption Premium	
plus	Defeasance Amount	
plus	Administrative Fees and Expenses	
less	Reserve Fund Credit	
Total: equals	Prepayment Amount	

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Approved Property and/or Developed Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Undeveloped Property, compute the Maximum Special Tax obligation for the current

Fiscal Year for the Parcel as though it was already designated as Developed Property, based upon the building permit which has been issued for the Parcel. For Parcels of Public Property and/or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the current Fiscal Year for the Parcel.

3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total calculated Maximum Special Taxes for the current Fiscal Year for the entire Improvement Area.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
7. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount, the Redemption Premium and the amount derived pursuant to paragraph 6, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
9. Add the amounts derived pursuant to paragraphs 6 and 7 and subtract the amount derived pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses, including the costs of computation of the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").

11. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
13. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. With respect to any Parcel for which the Special Tax obligation is prepaid, the Legislative Body shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

2. Prepayment in Part

The Maximum Special Tax obligation on a Parcel may be partially prepaid so that Bonds may be redeemed in increments of \$5,000. For purposes of determining the partial prepayment amount, the provision of Section H.1 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

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

F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

A = the Administrative Fees and Expenses determined pursuant to Section H.1

The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of such Partial Prepayment. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 business days prior to any redemption date for any Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 13 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage $(1.00 - F)$ of the Maximum Special Tax obligation will, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall Special Taxes be levied after Fiscal Year 2046-47 or the latest scheduled maturity of the Bonds, whichever is sooner.

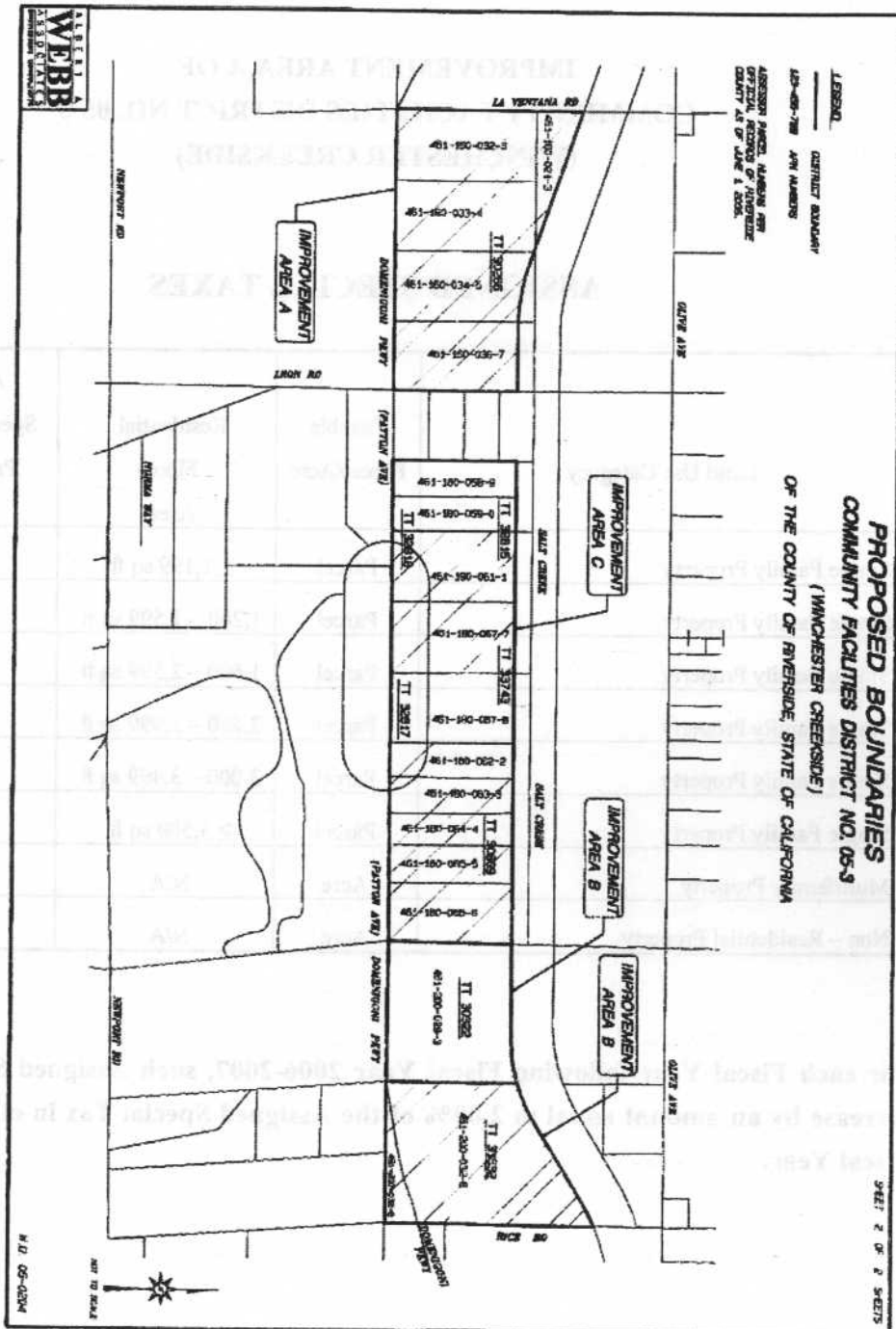


EXHIBIT B

IMPROVEMENT AREA A OF COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 1,199 sq ft	
Single Family Property	Parcel	1,200 – 1,599 sq ft	
Single Family Property	Parcel	1,600 – 2,599 sq ft	
Single Family Property	Parcel	2,600 – 2,999 sq ft	
Single Family Property	Parcel	3,000 – 3,499 sq ft	
Single Family Property	Parcel	≥ 3,500 sq ft	
Multifamily Property	Acre	N/A	
Non – Residential Property	Acre	N/A	

For each Fiscal Year following Fiscal Year 2006-2007, such Assigned Special Tax shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

EXHIBIT C

**PROPOSED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
FOR IMPROVEMENT AREA B**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA B OF
COMMUNITY FACILITIES DISTRICT NO. 05-3
(WINCHESTER CREEKSIDO)
OF THE COUNTY OF RIVERSIDE**

A Special Tax (all capitalized terms are defined in Section A. Definitions below), shall be levied on each Parcel of Taxable Property located within the boundaries of Improvement Area B (the "Improvement Area") of Community Facilities District No. 05-3 (Winchester Creekside) of the County. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2006-2007, on a Parcel shall be determined by the Legislative Body, by applying the appropriate rate of Special Tax for each category of Taxable Property, as calculated consistent with Sections B., C., and D., below, unless the Parcel is Exempt Property, as provided for in Section E., below. All of the real property within the Improvement Area, unless exempted by law or Section E., 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 acreage of a Parcel as stated on the most recent Assessor's Parcel Map, or if the acreage is not shown on such Assessor's Parcel Map, the acreage as determined from the applicable Final Map, or similar instrument.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the CFD as determined by the Administrator to be chargeable or allocable to the Improvement Area and are allowed by the Act and the Indenture, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, initiating and prosecuting a foreclosure action on a Parcel, trustee/fiscal agent expenses and fees, rebate compliance calculation fees, initiating or defending any litigation involving the Improvement Area, continuing disclosure undertakings of the CFD and/or the County, all communications with bondholders, property owners, or other interested persons and the costs of County staff, consultants, and legal counsel incurred on behalf of the CFD with respect to the Improvement Area in performing such administrative responsibilities.

“Administrator” means the County Executive Officer of the County, or his or her designee.

“Approved Property” means, for each Fiscal Year, all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a building permit prior to the April 1st preceding said Fiscal Year.

“Assessor’s Parcel Map” means, for each Fiscal Year, the official map(s) of the Assessor of the County designating each Parcel by an Assessor’s parcel number.

“Assigned Special Tax” means the Special Tax determined in accordance with Section C, below.

“Assumed Administrative Expenses” means, (a) for Fiscal Year 2006-07, \$70,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Assumed Administrative Expenses on each July 1, from and including July 1, 2007 to and including the July 1 in such Fiscal Year, by 2.00% of the amount in effect for the previous Fiscal Year.

“Backup Special Tax” means the Special Tax determined in accordance with Section C, below.

“Bonds” means any bonds or other debt (as defined in the Act) issued by the CFD for the Improvement Area and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 05-3 (Winchester Creekside) of the County established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Parcels of Taxable Property, not classified as Public Property and/or Property Owners' Association Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year and (ii) for which a building permit for new construction has been issued prior to April 1st of the preceding Fiscal Year.

“Exempt Property” means, for each Fiscal Year, any Parcel which is exempt from the Special Taxes pursuant to Section E., below.

“Final Map” means a recorded final map, parcel map, or lot line adjustment, by which a subdivision of property has been made pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or a recorded condominium plan approved pursuant to California Civil Code Section 1352 that creates Parcels for which building permits may be issued without further subdivision, as determined by the Administrator.

“Fiscal Year” means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2006.

“Improvement Area” means Improvement Area B of Community Facilities District No. 05-3 (Winchester Creekside) of the County, the boundaries of which are identified on the boundary map for the CFD, attached hereto as Exhibit A.

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

“Land Use Category” means the following land use categories: Single Family Property, Multifamily Property, Non-Residential Property, Multiple Land Use Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners’ Association Property and Exempt Property.

“Legislative Body” means the Board of Supervisors of the County acting *ex officio* as the Legislative Body of the CFD.

“Maximum Special Tax” means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C., which can be levied in such Fiscal Year on any Parcel.

“Multifamily Property” means, for each Fiscal Year, all Parcels of Residential Property for which a building permit has been issued to construct attached residential units that are under common management and are available for rental, but not purchase, by the general public, as determined by the Administrator.

“Multiple Land Use Property” means, for each Fiscal Year, all Parcels of Developed Property assigned to more than one Land Use Category (e.g. one structure containing both Non-Residential Property and Residential Property) as determined by the Administrator.

“Non-Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for non-residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Non-Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel, or if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Non-Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for any type of non-residential use, as determined by the Administrator.

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

“Parcel” means, for each Fiscal Year, each lot or parcel within the boundary of the Improvement Area, as shown on an Assessor’s Parcel Map to which an Assessor’s parcel number has been assigned.

“Property Owners’ Association Property” means, for each Fiscal Year, any Parcel which, as of the January 1 preceding said Fiscal Year, is owned by a property owners’ association, including any master or sub-association. Property Owners’ Association Property includes, but is not limited to property dedicated and restricted for the use as streets, open space, park, habitat reserve, golf course clubhouse or recreational facilities.

“Proportionately” means for: (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned or Backup Special Tax, as applicable, is the same for all Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax, as applicable, is the same for all Parcels of Approved Property, (iii) Undeveloped Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Undeveloped Property, (iv) Taxable Property Owners’ Association Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Property Owners’ Association Property, and (v) Taxable Public Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Public Property.

“Public Property” means, for each Fiscal Year, any Parcel within the boundary of the Improvement Area which, as of the January 1 preceding said Fiscal Year, is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other public agency, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement; provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use. Public Property includes, but is not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools, or property dedicated and restricted for the use as open space, park or habitat reserve.

“Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel or, if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for a residential dwelling units, as determined by the Administrator.

“Single Family Property” means, for each Fiscal Year, any Parcel of Residential Property, other than Multifamily Property, for which a building permit has been issued for attached or detached residential units, as determined by the Administrator.

“Special Tax” means the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means, for each Fiscal Year, that amount required in each Fiscal Year to pay: (i) annual debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction costs of facilities, provided such amount does not

cause an increase in the Special Tax levy on Approved Property or Undeveloped Property; and (vi) any amounts required to establish or replenish any reserve funds for the Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Taxable Property” means, for each Fiscal Year, all Parcels in the Improvement Area which are not Exempt Property.

“Taxable Property Owners’ Association Property” means, for each Fiscal Year, any Parcel of Property Owners’ Association Property which is not Exempt Property.

“Taxable Public Property” means, for each Fiscal Year, any Parcel of Public Property which is not Exempt Property.

“Total Floor Area” means for any Parcel of Multiple Land Use Property the sum of the Residential Floor Area and Non-Residential Floor Area.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property for which a Final Map has not been recorded prior to January 1 of said Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, all Parcels shall be categorized as either Developed Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners' Association Property or Exempt Property, and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., D., and E., below.

Developed Property shall further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall further be classified as Single Family Property or Multifamily Property.

C. SPECIAL TAX RATES

1. Developed Property

a. Maximum Special Tax

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Base Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year. For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year.

For each Fiscal Year, commencing with Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Non-Residential Property and Multifamily Property shall be the applicable Assigned Special Tax for such Fiscal Year.

b. Assigned Special Tax

i. Base Assigned Special Tax

The Base Assigned Special Tax for each Land Use Category of Developed Property shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category. Table 1 sets forth the Base Assigned Special Tax for Fiscal Year 2006-2007 for each Land Use Category of Developed Property.

TABLE 1
Developed Property
Base Assigned Special Taxes
For Fiscal Year 2006-2007

(1) Land Use Category	(2) Taxable Parcel/Acre	(3) Residential Floor Area	(4) Base Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,699 sq ft	\$3,056
Single Family Property	Parcel	2,700 – 2,799 sq ft	\$3,208
Single Family Property	Parcel	2,800 – 2,899 sq ft	\$3,293
Single Family Property	Parcel	2,900 – 3,099 sq ft	\$3,368
Single Family Property	Parcel	3,100 – 3,499 sq ft	\$3,529
Single Family Property	Parcel	≥ 3,500 sq ft	\$3,851
Multifamily Property	Acre	N/A	\$22,897
Non – Residential Property	Acre	N/A	\$22,897

For each Fiscal Year following Fiscal Year 2006-2007, the Base Assigned Special Tax shall increase by an amount equal to 2.00% of the Base Assigned Special Tax in effect for the prior Fiscal Year.

ii. Assigned Special Tax Through Adjustment Date Fiscal Year

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal

Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

iii. Assigned Special Tax After Adjustment Date Fiscal Year

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

In order to set forth and describe the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category, as adjusted pursuant to this Section C.1.b.iii, the Administrator shall, within 15 days after the Adjustment Date, complete the table set forth in Exhibit B hereto by inserting therein the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category for Fiscal Year 2006-07, after giving effect to the adjustment in such Assigned Special Tax made pursuant to this Section C.1.b.iii. Additionally, the Administrator shall, within 15 days after the Adjustment Date, record with the Riverside County Recorder an Addendum to the Notice of Special Tax Lien for the CFD, which Addendum shall reference the book and page and recording date of the Notice of Special Tax Lien for the CFD and any amendments to it, shall include the table set forth in Exhibit B hereto and shall otherwise clearly set forth the adjustments in said Assigned Special Taxes.

iv. Definitions

“Adjusted CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Single Family Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjustment Date” means the date of initial issuance of CFD No. 05-1 Bonds.

“Base Assigned Special Tax” means the Base Assigned Special Tax for each Land Use Category of Developed Property, as set forth in Section C.1.b.i hereof, which shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category.

“CFD No. 05-1” means Community Facilities District No. 05-1 (Salt Creek Bridges) of the County of Riverside.

“CFD No. 05-1 Bonds” means any bonds or other debt (as defined in the Act) issued by CFD No. 05-1 and secured by the levy of CFD No. 05-1 special taxes.

“Developed Multifamily Property for CFD No. 05-1” has the meaning ascribed to Developed Multifamily Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Non-Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Non-Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Single Family Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

c. Backup Special Tax

For Fiscal Year 2006-2007, the Backup Special Tax for each Parcel of Single Family Property shall be determined by multiplying \$22,897 per Acre by the total Acreage of Taxable Single Family Property within the Final Map that includes such Parcel, and dividing such amount by the number of Parcels of Single Family Property within the Final Map.

Notwithstanding the foregoing, if the number of Parcels of Single Family Property in a specific Final Map is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for each Parcel will be recalculated by dividing the aggregate amount of Backup Special Tax determined for the Parcels of Single Family Property within the changed or modified area of said Final Map, by the new number of Parcels of Single Family Property in such area so that such changed or modified area shall be subject to the same aggregate Backup Special Tax.

For each Fiscal Year following Fiscal Year 2006-2007, such Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.

d. Multiple Land Use Property

In some instances a Parcel of Developed Property may be assigned to more than one Land Use Category. The Assigned Special Tax levied on such a Parcel shall be the sum of the Assigned Special Tax levies for all Land Use Categories on that Parcel. The Maximum Special Tax levied on a Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Categories on that Parcel.

For purposes of calculating the Backup Special Tax (but not the Assigned Special Tax) for each Land Use Category under such circumstances, the Acreage assigned to each Land Use Category shall be based on the proportion of Residential Floor Area or Non-Residential Floor Area that is built for each Land Use Category as compared with the Total Floor Area built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

2. Approved Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Approved Property shall be \$22,897 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

3. Undeveloped Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Undeveloped Property shall be \$22,897 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

4. Taxable Public Property and/or Taxable Property Owners' Association Property.

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Taxable Public Property and/or Taxable Property Owners' Association Property shall be \$22,897 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Legislative Body shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the Special Tax Requirement in accordance with the following steps:

First: For each Fiscal Year to and including the Fiscal Year in which the initial issuance of Bonds occurs, the Special Tax shall be levied on each Parcel of Developed Property at 100% of the applicable Assigned Special Tax. For each Fiscal Year after the Fiscal Year of the issuance of Bonds, the Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Maximum Special Tax, as needed to satisfy the Special Tax Requirement;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Property Owners' Association Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Sixth: If additional moneys are need to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances shall the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the Improvement Area.

E. EXEMPTIONS

Land, conveyed or irrevocably offered for dedication to a public agency after formation of the CFD and not otherwise exempt pursuant to this Section E, shall be subject to the levy of Special Tax pursuant to Section 53317.3 or 53317.5 of the Act.

Notwithstanding, the above, the Special Tax shall not be imposed upon any of the following:

- (1) The Legislative Body shall not levy Special Taxes on up to 26.39 Acres of Public Property.
- (2) The Legislative Body shall not levy Special Taxes on up to 0.00 Acres of Property Owners' Association Property.

If the limit of Acres within one of the categories described in (1) or (2) above has not been reached, the Legislative Body may, at its discretion as and when it deems appropriate, reallocate and transfer all or a portion of the remaining Acres in said category to the other category.

After the limit of Acres within each of the above categories has been reached, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property may be prepaid pursuant to the provision within Section H. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, such Taxable Public Property and/or Taxable Property Owners' Association Property will be subject to the levy of the Special Tax as provided for in the fifth and sixth steps of Section D.

In addition, the Special Tax shall not be imposed on the approximately 4.66 acres southerly of Domenigoni Parkway, Parcel 451-200-032, as shown on the boundary map for the CFD, attached hereto as Exhibit A.

F. MANNER OF COLLECTION, PENALTIES, PROCEDURE & LIEN PRIORITY

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the CFD may directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until redeemed.

G. APPEALS

Any owner of a Parcel claiming that the amount of the Special Tax levied on such Parcel is not correct and/or requesting a refund may file a written notice of appeal with the Administrator once the Special Tax in dispute has been paid but, not later than 12 months after the mailing of the property tax bill on which the Special Tax appears. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, convene the CFD Special Tax Review Board and decide the appeal. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

H. PREPAYMENT OF SPECIAL TAX

The Maximum Special Tax obligation may only be prepaid and permanently satisfied after all authorized Bonds of the Improvement Area have been issued.

No Special Tax prepayment in full or prepayment in part shall be allowed unless the amount of Maximum Special Taxes, based on the categorization and classification hereunder of all Parcels on the date of the calculation, that may be levied on Taxable Property in each Fiscal Year commencing with the Fiscal Year of the proposed prepayment is at least equal to the sum of (a) 1.1 times the debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (b) the Assumed Administrative Expenses for such Fiscal Year.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, or Undeveloped Property, for which a building permit has been issued, or Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 business days prior to any redemption date, unless authorized by the Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall equal the sum of the amount as identified below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Total: equals	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Approved Property and/or Developed Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Undeveloped Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel as though it was already designated as Developed Property, based upon the building permit which has been issued for the Parcel. For Parcels of

Public Property and/or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the current Fiscal Year for the Parcel.

3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total calculated Maximum Special Taxes for the current Fiscal Year for the entire Improvement Area.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
7. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount, the Redemption Premium and the amount derived pursuant to paragraph 6, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
9. Add the amounts derived pursuant to paragraphs 6 and 7 and subtract the amount derived pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses, including the costs of computation of the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
11. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any,

associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "Prepayment Amount").

13. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. With respect to any Parcel for which the Special Tax obligation is prepaid, the Legislative Body shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

2. Prepayment in Part

The Maximum Special Tax obligation on a Parcel may be partially prepaid so that Bonds may be redeemed in increments of \$5,000. For purposes of determining the partial prepayment amount, the provision of Section H.1 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

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

F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

A = the Administrative Fees and Expenses determined pursuant to Section H.1

The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of such Partial Prepayment. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 business days prior to any redemption date for any Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 13 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage $(1.00 - F)$ of the Maximum Special Tax obligation will, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall Special Taxes be levied after Fiscal Year 2046-47 or the latest scheduled maturity of the Bonds, whichever is sooner.

EXHIBIT A Boundary Map

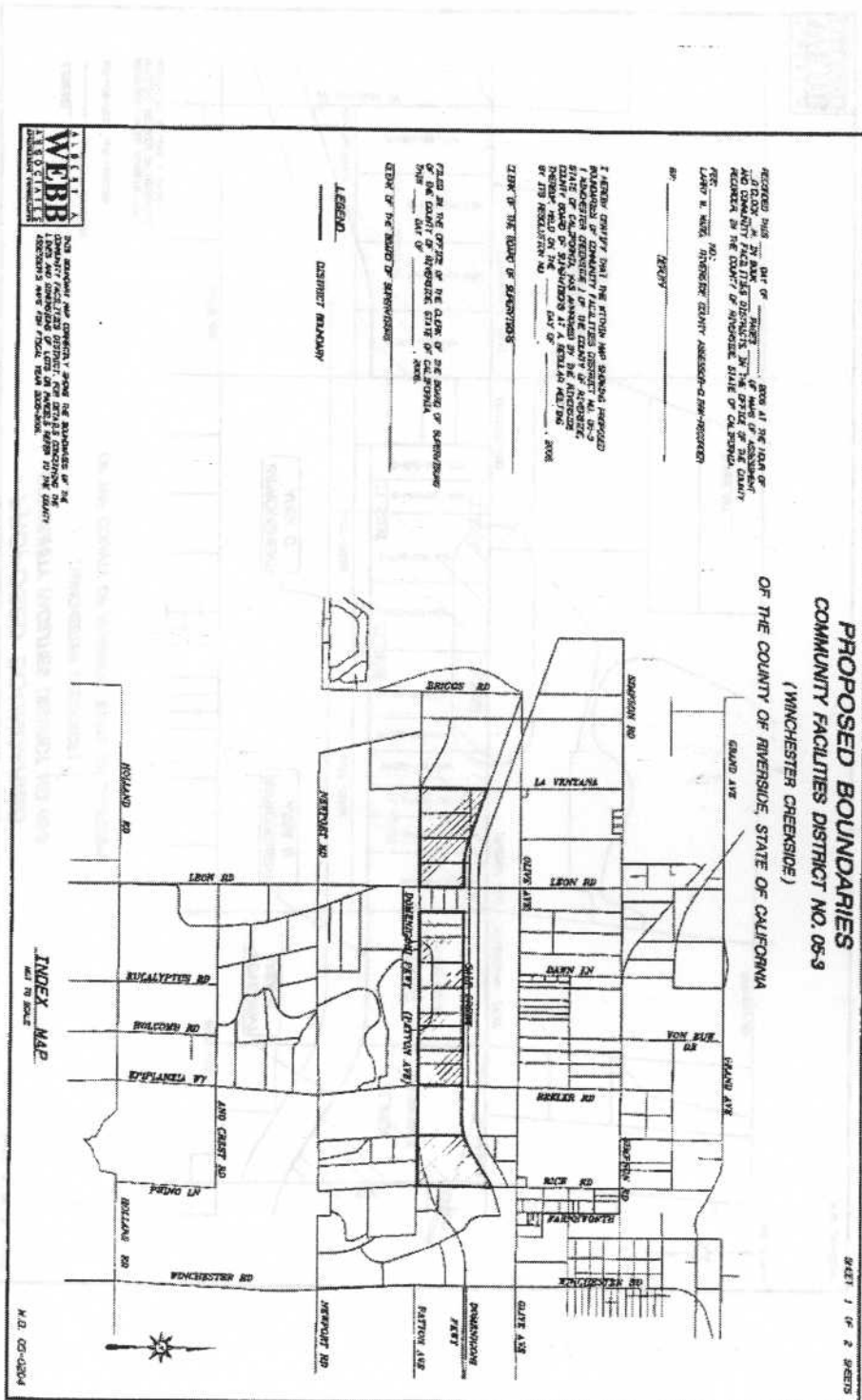


EXHIBIT B

**IMPROVEMENT AREA B OF
COMMUNITY FACILITIES DISTRICT NO. 05-3
(WINCHESTER CREEKSIDE)**

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,699 sq ft	
Single Family Property	Parcel	2,700 – 2,799 sq ft	
Single Family Property	Parcel	2,800 – 2,899 sq ft	
Single Family Property	Parcel	2,900 – 3,099 sq ft	
Single Family Property	Parcel	3,100 – 3,499 sq ft	
Single Family Property	Parcel	≥ 3,500 sq ft	
Multifamily Property	Acre	N/A	
Non – Residential Property	Acre	N/A	

For each Fiscal Year following Fiscal Year 2006-2007, such Assigned Special Tax shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.

EXHIBIT D

PROPOSED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA C

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Property Type	Estimated Value	Estimated Tax	Proposed Rate
Single Family Property	1,000,000	1,000	0.001
Single Family Property	2,000,000	2,000	0.001
Single Family Property	3,000,000	3,000	0.001
Single Family Property	4,000,000	4,000	0.001
Single Family Property	5,000,000	5,000	0.001
Single Family Property	6,000,000	6,000	0.001
Single Family Property	7,000,000	7,000	0.001
Single Family Property	8,000,000	8,000	0.001
Single Family Property	9,000,000	9,000	0.001
Single Family Property	10,000,000	10,000	0.001
Commercial Property	1,000,000	10,000	0.01
Commercial Property	2,000,000	20,000	0.01
Commercial Property	3,000,000	30,000	0.01
Commercial Property	4,000,000	40,000	0.01
Commercial Property	5,000,000	50,000	0.01
Commercial Property	6,000,000	60,000	0.01
Commercial Property	7,000,000	70,000	0.01
Commercial Property	8,000,000	80,000	0.01
Commercial Property	9,000,000	90,000	0.01
Commercial Property	10,000,000	100,000	0.01

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA C OF
COMMUNITY FACILITIES DISTRICT NO. 05-3
(WINCHESTER CREEKSIDE)
OF THE COUNTY OF RIVERSIDE**

A Special Tax (all capitalized terms are defined in Section A. Definitions below), shall be levied on each Parcel of Taxable Property located within the boundaries of Improvement Area C (the "Improvement Area") of Community Facilities District No. 05-3 (Winchester Creekside) of the County. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2006-2007, on a Parcel shall be determined by the Legislative Body, by applying the appropriate rate of Special Tax for each category of Taxable Property, as calculated consistent with Sections B., C., and D., below, unless the Parcel is Exempt Property, as provided for in Section E., below. All of the real property within the Improvement Area, unless exempted by law or Section E., 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 acreage of a Parcel as stated on the most recent Assessor's Parcel Map, or if the acreage is not shown on such Assessor's Parcel Map, the acreage as determined from the applicable Final Map, or similar instrument.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the CFD as determined by the Administrator to be chargeable or allocable to the Improvement Area and are allowed by the Act and the Indenture, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, initiating and prosecuting a foreclosure action on a Parcel, trustee/fiscal agent expenses and fees, rebate compliance calculation fees, initiating or defending any litigation involving the Improvement Area, continuing disclosure undertakings of the CFD and/or the County, all communications with bondholders, property owners, or other interested persons and the costs of County staff, consultants, and legal counsel incurred on behalf of the CFD with respect to the Improvement Area in performing such administrative responsibilities.

“Administrator” means the County Executive Officer of the County, or his or her designee.

“Approved Property” means, for each Fiscal Year, all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a building permit prior to the April 1st preceding said Fiscal Year.

“Assessor’s Parcel Map” means, for each Fiscal Year, the official map(s) of the Assessor of the County designating each Parcel by an Assessor’s parcel number.

“Assigned Special Tax” means the Special Tax determined in accordance with Section C, below.

“Assumed Administrative Expenses” means, (a) for Fiscal Year 2006-07, \$70,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Assumed Administrative Expenses on each July 1, from and including July 1, 2007 to and including the July 1 in such Fiscal Year, by 2.00% of the amount in effect for the previous Fiscal Year.

“Backup Special Tax” means the Special Tax determined in accordance with Section C, below.

“Bonds” means any bonds or other debt (as defined in the Act) issued by the CFD for the Improvement Area and secured by the levy of Special Taxes.

“CFD” means Community Facilities District No. 05-3 (Winchester Creekside) of the County established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Parcels of Taxable Property, not classified as Public Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year and (ii) for which a building permit for new construction has been issued prior to April 1st of the preceding Fiscal Year.

“Exempt Property” means, for each Fiscal Year, any Parcel which is exempt from the Special Taxes pursuant to Section E., below.

"Final Map" means a recorded final map, parcel map, or lot line adjustment, by which a subdivision of property has been made pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) or a recorded condominium plan approved pursuant to California Civil Code Section 1352 that creates Parcels for which building permits may be issued without further subdivision, as determined by the Administrator.

"Fiscal Year" means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2006.

"Improvement Area" means Improvement Area C of Community Facilities District No. 05-3 (Winchester Creekside) of the County, the boundaries of which are identified on the boundary map for the CFD, attached hereto as Exhibit A.

"Indenture" means the bond indenture, fiscal agent agreement, trust agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Land Use Category" means the following land use categories: Single Family Property, Multifamily Property, Non-Residential Property, Multiple Land Use Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners' Association Property and Exempt Property.

"Legislative Body" means the Board of Supervisors of the County acting *ex officio* as the Legislative Body of the CFD.

"Maximum Special Tax" means, for each Fiscal Year, the maximum Special Tax, determined in accordance with Section C., which can be levied in such Fiscal Year on any Parcel.

"Multifamily Property" means, for each Fiscal Year, all Parcels of Residential Property for which a building permit has been issued to construct attached residential units that are under common management and are available for rental, but not purchase, by the general public, as determined by the Administrator.

"Multiple Land Use Property" means, for each Fiscal Year, all Parcels of Developed Property assigned to more than one Land Use Category (e.g. one structure containing both Non-Residential Property and Residential Property) as determined by the Administrator.

“Non-Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for non-residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Non-Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel, or if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Non-Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for any type of non-residential use, as determined by the Administrator.

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

“Parcel” means, for each Fiscal Year, each lot or parcel within the boundary of the Improvement Area, as shown on an Assessor’s Parcel Map to which an Assessor’s parcel number has been assigned.

“Property Owners’ Association Property” means, for each Fiscal Year, any Parcel which, as of the January 1 preceding said Fiscal Year, is owned by a property owners’ association, including any master or sub-association. Property Owners’ Association Property includes, but is not limited to property dedicated and restricted for the use as streets, open space, park, habitat reserve, golf course clubhouse or recreational facilities.

“Proportionately” means for: (i) Developed Property, that the ratio of the actual Special Tax levy to the Assigned or Backup Special Tax, as applicable, is the same for all Parcels of Developed Property, (ii) Approved Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax, as applicable, is the same for all Parcels of Approved Property, (iii) Undeveloped Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Undeveloped Property, (iv) Taxable Property Owners’ Association Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Property Owners’ Association Property, and (v) Taxable Public Property, that the ratio of the actual Special Tax levy per taxable Acre to the Maximum Special Tax per taxable Acre is the same for all Parcels of Taxable Public Property.

“Public Property” means, for each Fiscal Year, any Parcel within the boundary of the Improvement Area which, as of the January 1 preceding said Fiscal Year, is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, or any other public agency, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement; provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use. Public Property includes, but is not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools, or property dedicated and restricted for the use as open space, park or habitat reserve.

“Residential Floor Area” means, with regard to Multiple Land Use Property only, all of the square footage within the outside perimeter of all structures on a Parcel used for residential purposes, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, carports, or similar spaces attached to the building. The determination of the amount of Residential Floor Area shall be made by the Administrator with reference to the building permit(s) issued for said Parcel or, if these are not available, as otherwise determined by the Administrator. Once such determination has been made for a Parcel, it shall remain fixed in all future Fiscal Years.

“Residential Property” means, for each Fiscal Year, all Parcels of Developed Property for which a building permit has been issued for a residential dwelling units, as determined by the Administrator.

“Single Family Property” means, for each Fiscal Year, any Parcel of Residential Property, other than Multifamily Property, for which a building permit has been issued for attached or detached residential units, as determined by the Administrator.

“Special Tax” means the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property.

“Special Tax Requirement” means, for each Fiscal Year, that amount required in each Fiscal Year to pay: (i) annual debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction costs of facilities, provided such amount does not

cause an increase in the Special Tax levy on Approved Property or Undeveloped Property; and (vi) any amounts required to establish or replenish any reserve funds for the Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Taxable Property” means, for each Fiscal Year, all Parcels in the Improvement Area which are not Exempt Property.

“Taxable Property Owners’ Association Property” means, for each Fiscal Year, any Parcel of Property Owners’ Association Property which is not Exempt Property.

“Taxable Public Property” means, for each Fiscal Year, any Parcel of Public Property which is not Exempt Property.

“Total Floor Area” means for any Parcel of Multiple Land Use Property the sum of the Residential Floor Area and Non-Residential Floor Area.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property for which a Final Map has not been recorded prior to January 1 of said Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, all Parcels shall be categorized as either Developed Property, Approved Property, Undeveloped Property, Taxable Public Property, Taxable Property Owners' Association Property or Exempt Property, and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., D., and E., below.

Developed Property shall further be classified as Residential Property, Non-Residential Property or Multiple Land Use Property. Residential Property shall further be classified as Single Family Property or Multifamily Property.

C. SPECIAL TAX RATES

1. Developed Property

a. Maximum Special Tax

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Base Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year. For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Maximum Special Tax for each Parcel of Single Family Property shall be the greater of (i) the applicable Assigned Special Tax for such Fiscal Year, or (ii) the amount derived by application of the Backup Special Tax for such Fiscal Year.

For each Fiscal Year, commencing with Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Non-Residential Property and Multifamily Property shall be the applicable Assigned Special Tax for such Fiscal Year.

b. Assigned Special Tax

i. Base Assigned Special Tax

The Base Assigned Special Tax for each Land Use Category of Developed Property shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category. Table 1 sets forth the Base Assigned Special Tax for Fiscal Year 2006-2007 for each Land Use Category of Developed Property.

TABLE 1
Developed Property
Base Assigned Special Taxes
For Fiscal Year 2006-2007

(1) Land Use Category	(2) Taxable Parcel/Acre	(3) Residential Floor Area	(4) Base Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 1,399 sq ft	\$1,507
Single Family Property	Parcel	1,400 – 1,699 sq ft	\$1,838
Single Family Property	Parcel	1,700 – 2,099 sq ft	\$2,094
Single Family Property	Parcel	2,100 – 2,699 sq ft	\$2,690
Single Family Property	Parcel	2,700 – 3,099 sq ft	\$3,163
Single Family Property	Parcel	≥ 3,100 sq ft	\$3,484
Multifamily Property	Acre	N/A	\$33,990
Non – Residential Property	Acre	N/A	\$33,990

For each Fiscal Year following Fiscal Year 2006-2007, the Base Assigned Special Tax shall increase by an amount equal to 2.00% of the Base Assigned Special Tax in effect for the prior Fiscal Year.

ii. Assigned Special Tax Through Adjustment Date Fiscal Year

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Initial CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

iii. Assigned Special Tax After Adjustment Date Fiscal Year

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Single Family Property in each Land Use Category shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for such Land Use Category for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Single Family Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Multifamily Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Multifamily Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Multifamily Tax for such Fiscal Year.

For each Fiscal Year after the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Non-Residential Property shall be an amount equal to the remainder of (i) the Base Assigned Special Tax for Non-Residential Property for such Fiscal Year, less (ii) the Adjusted CFD No. 05-1 Non-Residential Tax for such Fiscal Year.

In order to set forth and describe the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category, as adjusted pursuant to this Section C.1.b.iii, the Administrator shall, within 15 days after the Adjustment Date, complete the table set forth in Exhibit B hereto by inserting therein the Assigned Special Tax for each Single Family Property, Multifamily Property and Non-Residential Property Land Use Category for Fiscal Year 2006-07, after giving effect to the adjustment in such Assigned Special Tax made pursuant to this Section C.1.b.iii. Additionally, the Administrator shall, within 15 days after the Adjustment Date, record with the Riverside County Recorder an Addendum to the Notice of Special Tax Lien for the CFD, which Addendum shall reference the book and page and recording date of the Notice of Special Tax Lien for the CFD and any amendments to it, shall include the table set forth in Exhibit B hereto and shall otherwise clearly set forth the adjustments in said Assigned Special Taxes.

iv. Definitions

“Adjusted CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjusted CFD No. 05-1 Single Family Tax” means, for each Fiscal Year after the Adjustment Date, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Adjustment Date” means the date of initial issuance of CFD No. 05-1 Bonds.

“Base Assigned Special Tax” means the Base Assigned Special Tax for each Land Use Category of Developed Property, as set forth in Section C.1.b.i hereof, which shall be applied, as provided herein, to determine the Assigned Special Tax for such Land Use Category.

“CFD No. 05-1” means Community Facilities District No. 05-1 (Salt Creek Bridges) of the County of Riverside.

“CFD No. 05-1 Bonds” means any bonds or other debt (as defined in the Act) issued by CFD No. 05-1 and secured by the levy of CFD No. 05-1 special taxes.

“Developed Multifamily Property for CFD No. 05-1” has the meaning ascribed to Developed Multifamily Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Non-Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Non-Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Developed Residential Property for CFD No. 05-1” has the meaning ascribed to Developed Residential Property in the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Multifamily Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Multifamily Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Non-Residential Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Non-Residential Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

“Initial CFD No. 05-1 Single Family Tax” means, for each Fiscal Year from and including Fiscal Year 2006-2007 to and including the Fiscal Year in which the Adjustment Date occurs, the Assigned Special Tax for Developed Single Family Property for CFD No. 05-1 for such Fiscal Year, which Assigned Special Tax shall not have been reduced pursuant to Section C.1.b. of the Rate and Method of Apportionment of Special Taxes for CFD No. 05-1.

c. Backup Special Tax

For Fiscal Year 2006-2007, the Backup Special Tax for each Parcel of Single Family Property shall be determined by multiplying \$33,990 per Acre by the total Acreage of Taxable Single Family Property within the Final Map that includes such Parcel, and dividing such amount by the number of Parcels of Single Family Property within the Final Map.

Notwithstanding the foregoing, if the number of Parcels of Single Family Property in a specific Final Map is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax for each Parcel will be recalculated by dividing the aggregate amount of Backup Special Tax determined for the Parcels of Single Family Property within the changed or modified area of said Final Map, by the new number of Parcels of Single Family Property in such area so that such changed or modified area shall be subject to the same aggregate Backup Special Tax.

For each Fiscal Year following Fiscal Year 2006-2007, such Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.

d. Multiple Land Use Property

In some instances a Parcel of Developed Property may be assigned to more than one Land Use Category. The Assigned Special Tax levied on such a Parcel shall be the sum of the Assigned Special Tax levies for all Land Use Categories on that Parcel. The Maximum Special Tax levied on a Parcel shall be the sum of the Maximum Special Tax levies that can be imposed on all Land Use Categories on that Parcel.

For purposes of calculating the Backup Special Tax (but not the Assigned Special Tax) for each Land Use Category under such circumstances, the Acreage assigned to each Land Use Category shall be based on the proportion of Residential Floor Area or Non-Residential Floor Area that is built for each Land Use Category as compared with the Total Floor Area built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

2. Approved Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Approved Property shall be \$33,990 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

3. Undeveloped Property

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Undeveloped Property shall be \$33,990 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

4. Taxable Public Property and/or Taxable Property Owners' Association Property.

For Fiscal Year 2006-2007, the Maximum Special Tax for each Parcel of Taxable Public Property and/or Taxable Property Owners' Association Property shall be \$33,990 per Acre.

For each Fiscal Year following Fiscal Year 2006-2007, such Maximum Special Tax shall increase by an amount equal to 2.00% of the Maximum Special Tax in effect for the prior Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Legislative Body shall levy the Special Tax on all Taxable Property until the amount of Special Taxes equals the Special Tax Requirement in accordance with the following steps:

First: For each Fiscal Year to and including the Fiscal Year in which the initial issuance of Bonds occurs, the Special Tax shall be levied on each Parcel of Developed Property at 100% of the applicable Assigned Special Tax. For each Fiscal Year after the Fiscal Year of the issuance of Bonds, the Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Parcel of Approved Property at up to 100% of the applicable Maximum Special Tax, as needed to satisfy the Special Tax Requirement;

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax, shall be increased Proportionately at up to 100% of the difference between the applicable Maximum Special Tax for each such Parcel less the applicable Assigned Special Tax for such Parcel as needed to satisfy the Special Tax Requirement;

Fifth: If additional moneys are needed to satisfy the Special Tax Requirement after the first four steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Property Owners' Association Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement;

Sixth: If additional moneys are need to satisfy the Special Tax Requirement after the first five steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property at up to 100% of the applicable Maximum Special Tax as needed to satisfy the Special Tax Requirement.

Notwithstanding the above, under no circumstances shall the Special Taxes levied against any Parcel of Residential Property be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Parcel within the Improvement Area.

E. EXEMPTIONS

Land, conveyed or irrevocably offered for dedication to a public agency after formation of the CFD and not otherwise exempt pursuant to this Section E, shall be subject to the levy of Special Tax pursuant to Section 53317.3 or 53317.5 of the Act.

Notwithstanding, the above, the Special Tax shall not be imposed upon any of the following:

- (1) The Legislative Body shall not levy Special Taxes on up to 29.25 Acres of Public Property.
- (2) The Legislative Body shall not levy Special Taxes on up to 37.24 Acres of Property Owners' Association Property.

If the limit of Acres within one of the categories described in (1) or (2) above has not been reached, the Legislative Body may, at its discretion as and when it deems appropriate, reallocate and transfer all or a portion of the remaining Acres in said category to the other category.

After the limit of Acres within each of the above categories has been reached, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property may be prepaid pursuant to the provision within Section H. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, such Taxable Public Property and/or Taxable Property Owners' Association Property will be subject to the levy of the Special Tax as provided for in the fifth and sixth steps of Section D.

F. MANNER OF COLLECTION, PENALTIES, PROCEDURE & LIEN PRIORITY

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the CFD may directly bill the Special Tax, may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations, and if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1 after the delinquency date and the first of each month thereafter until redeemed.

G. APPEALS

Any owner of a Parcel claiming that the amount of the Special Tax levied on such Parcel is not correct and/or requesting a refund may file a written notice of appeal with the Administrator once the Special Tax in dispute has been paid but, not later than 12 months after the mailing of the property tax bill on which the Special Tax appears. The Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, convene the CFD Special Tax Review Board and decide the appeal. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to any legal action by such owner.

H. PREPAYMENT OF SPECIAL TAX

The Maximum Special Tax obligation may only be prepaid and permanently satisfied after all authorized Bonds of the Improvement Area have been issued.

No Special Tax prepayment in full or prepayment in part shall be allowed unless the amount of Maximum Special Taxes, based on the categorization and classification hereunder of all Parcels on the date of the calculation, that may be levied on Taxable Property in each Fiscal Year commencing with the Fiscal Year of the proposed prepayment is at least equal to the sum of (a) 1.1 times the debt service on the Outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (b) the Assumed Administrative Expenses for such Fiscal Year.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, or Undeveloped Property, for which a building permit has been issued, or Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 business days prior to any redemption date, unless authorized by the Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall equal the sum of the amount as identified below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Total: equals	Prepayment Amount

The Prepayment Amount shall be determined as of the proposed prepayment date as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Approved Property and/or Developed Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Undeveloped Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel as though it was already designated as Developed Property, based upon the building permit which has been issued for the Parcel. For Parcels of

Public Property and/or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the current Fiscal Year for the Parcel.

3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total calculated Maximum Special Taxes for the current Fiscal Year for the entire Improvement Area.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
7. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount, the Redemption Premium and the amount derived pursuant to paragraph 6, from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
9. Add the amounts derived pursuant to paragraphs 6 and 7 and subtract the amount derived pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses, including the costs of computation of the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
11. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any,

associated with the redemption of Outstanding Bonds as a result of the prepayment, or
(b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "Prepayment Amount").

13. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. With respect to any Parcel for which the Special Tax obligation is prepaid, the Legislative Body shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

2. Prepayment in Part

The Maximum Special Tax obligation on a Parcel may be partially prepaid so that Bonds may be redeemed in increments of \$5,000. For purposes of determining the partial prepayment amount, the provision of Section H.1 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

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

F = the percent by which the owner of the Parcel(s) is partially prepaying the Maximum Special Tax obligation.

A = the Administrative Fees and Expenses determined pursuant to Section H.1

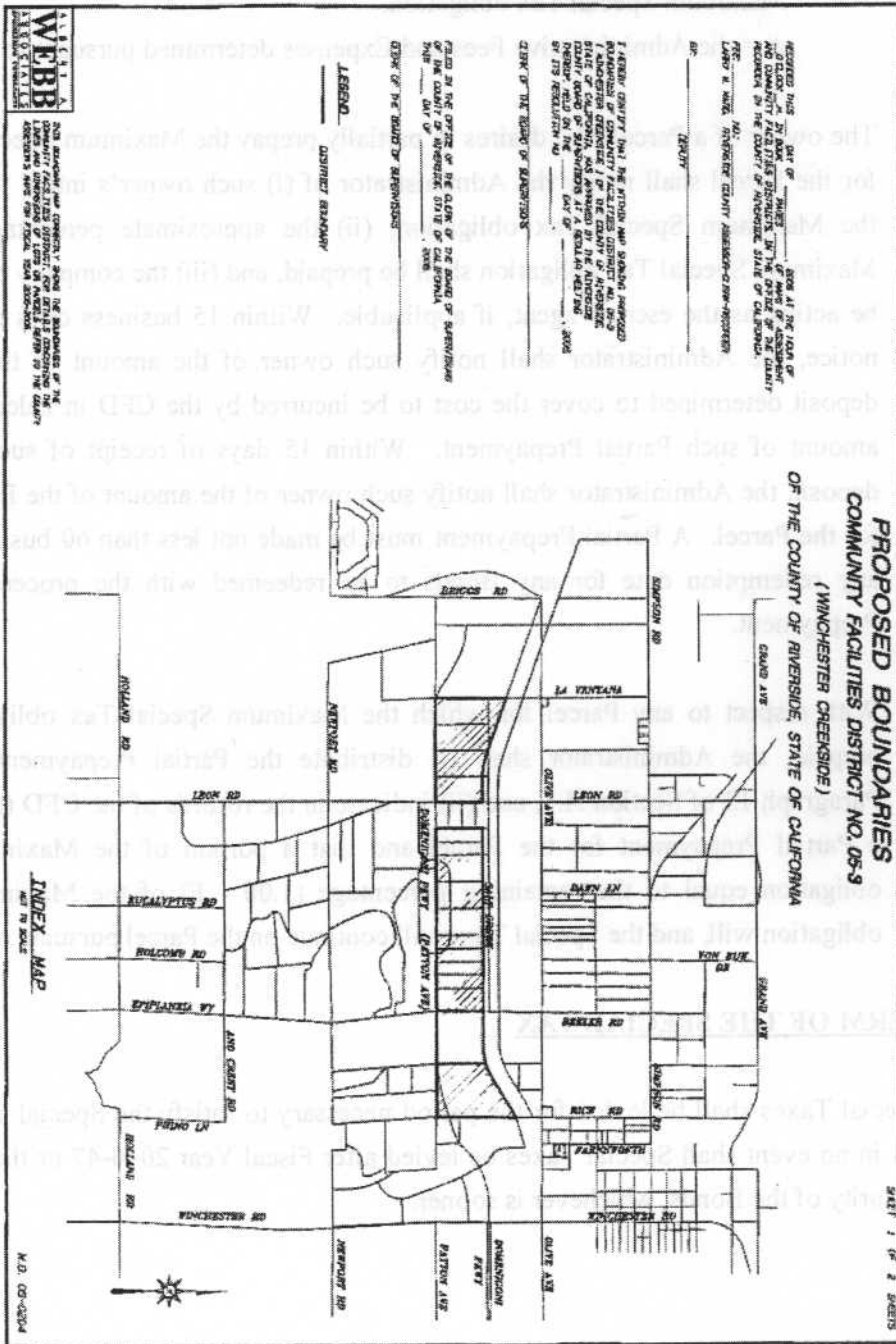
The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if applicable. Within 15 business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the proper amount of such Partial Prepayment. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 business days prior to any redemption date for any Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 13 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the Maximum Special Tax obligation will, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall Special Taxes be levied after Fiscal Year 2046-47 or the latest scheduled maturity of the Bonds, whichever is sooner.

EXHIBIT A Boundary Map



WEBB ASSOCIATES
 2000 BROADWAY, SUITE 200, RIVERSIDE, CA 92504
 (951) 514-1100
 WWW.WEBBASSOCIATES.COM

NOTED THIS DAY OF _____, 2004, AT THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, THAT THE BOARD OF SUPERVISORS HAS ADOPTED THE FOLLOWING RESOLUTION:

RESOLUTION NO. _____ OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, APPROVING THE PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE) OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AS SHOWN ON THE ATTACHED MAP, AND AUTHORIZING THE CLERK OF THE BOARD OF SUPERVISORS TO SIGN THE SAID MAP AND TO FILE THE SAID MAP IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

WITNESSED MY HAND AND SEAL OF OFFICE THIS _____ DAY OF _____, 2004.

CLERK OF THE BOARD OF SUPERVISORS

LEGEND
 _____ DISTRICT BOUNDARY

PAID BY THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

I HEREBY CERTIFY THAT THE ABOVE MAP SHOWS CORRECT BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE) OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AS SHOWN ON THE ATTACHED MAP, AND AUTHORIZING THE CLERK OF THE BOARD OF SUPERVISORS TO SIGN THE SAID MAP AND TO FILE THE SAID MAP IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

WITNESSED MY HAND AND SEAL OF OFFICE THIS _____ DAY OF _____, 2004.

CLERK OF THE BOARD OF SUPERVISORS

NOTED THIS DAY OF _____, 2004, AT THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, THAT THE BOARD OF SUPERVISORS HAS ADOPTED THE FOLLOWING RESOLUTION:

RESOLUTION NO. _____ OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, APPROVING THE PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE) OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AS SHOWN ON THE ATTACHED MAP, AND AUTHORIZING THE CLERK OF THE BOARD OF SUPERVISORS TO SIGN THE SAID MAP AND TO FILE THE SAID MAP IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

WITNESSED MY HAND AND SEAL OF OFFICE THIS _____ DAY OF _____, 2004.

CLERK OF THE BOARD OF SUPERVISORS

EXHIBIT B

IMPROVEMENT AREA C OF COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 1,399 sq ft	
Single Family Property	Parcel	1,400 – 1,699 sq ft	
Single Family Property	Parcel	1,700 – 2,099 sq ft	
Single Family Property	Parcel	2,100 – 2,699 sq ft	
Single Family Property	Parcel	2,700 – 3,099 sq ft	
Single Family Property	Parcel	≥ 3,100 sq ft	
Multifamily Property	Acre	N/A	
Non – Residential Property	Acre	N/A	

For each Fiscal Year following Fiscal Year 2006-2007, such Assigned Special Tax shall increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.

RESOLUTION NO. 2006-303

A RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO INCUR BONDED INDEBTEDNESS OF THE PROPOSED COMMUNITY FACILITIES DISTRICT NO. 05-3 (WINCHESTER CREEKSIDE) OF THE COUNTY OF RIVERSIDE

Community Facilities District No. 05-3 (Winchester Creekside)

WHEREAS, the Board of Supervisors (the "Board of Supervisors") of the County of Riverside (the "County") has this date adopted its Resolution entitled "A Resolution of the Board of Supervisors of the County of Riverside of Intention to Establish a Community Facilities District, to Designate Improvement Areas and to Authorize the Levy of Special Taxes and Setting a Date and Time for a Public Hearing Thereon," stating its intention to establish Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside (the "Community Facilities District") and to designate portions of the Community Facilities District as three improvement areas (each an "Improvement Area") to be known as "Improvement Area A of Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside" ("Improvement Area A"), "Improvement Area B of Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside" ("Improvement Area B") and "Improvement Area C of Community Facilities District No. 05-3 (Winchester Creekside) of the County of Riverside" ("Improvement Area C"), pursuant to the Mello-Roos Community Facilities Act of 1982 for the purpose of financing certain public facilities (the "Facilities"), as further provided in said Resolution;

WHEREAS, in order to finance the Facilities it is necessary to incur bonded indebtedness in the amount of up to \$49,000,000; and

WHEREAS, the portion of the Community Facilities District designated as Improvement Area A will pay for the bonded indebtedness in the amount of up to \$11,000,000, the portion of the Community Facilities District designated as Improvement Area B will pay for the bonded indebtedness in the amount of up to \$16,000,000 and the portion of the Community Facilities

1 District designated as Improvement Area C will pay for the bonded indebtedness in the amount of
2 up to \$22,000,000;

3 **NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF**
4 **RIVERSIDE**, in regular session assembled on August 29, 2006, does hereby resolve, find,
5 determine and order as follows:

6 **Section 1.** The Board of Supervisors hereby declares that in order to finance the
7 Facilities, it is necessary to incur bonded indebtedness.

8 **Section 2.** The purpose for which the proposed debt is to be incurred is to provide the
9 funds necessary to pay the costs of the Facilities, including construction costs and all costs
10 incidental to, or connected with, the accomplishment of said purpose and of the financing thereof,
11 as permitted by Section 53345.3 of the California Government Code.

12 **Section 3.** The maximum amount of the proposed debt is \$49,000,000. The
13 maximum amount of the proposed debt to be paid for by the portion of the Community Facilities
14 District designated as Improvement Area A is \$11,000,000. The maximum amount of the
15 proposed debt to be paid for by the portion of the Community Facilities District designated as
16 Improvement Area B is \$16,000,000. The maximum amount of the proposed debt to be paid for
17 by the portion of the Community Facilities District designated as Improvement Area C is
18 \$22,000,000.

19 **Section 4.** The Board of Supervisors hereby fixes Tuesday, October 3, 2006, at
20 9:30 a.m., or as soon thereafter as the Board of Supervisors may reach the matter, at the Board of
21 Supervisors Chambers, 4080 Lemon Street, 1st Floor, Riverside, California, as the time and place
22 when and where the Board of Supervisors will conduct a public hearing on the proposed debt
23 issue.

24 **Section 5.** The Clerk to the Board of Supervisors is hereby directed to publish, or
25 cause to be published, a notice of said public hearing, as prepared and approved by bond counsel,
26 one time in *The Press-Enterprise*, a newspaper of general circulation published in the area of the
27 Community Facilities District. The publication of said notice shall be completed at least seven
28

1 days prior to the date herein fixed for said hearing. Said notice shall contain the information
2 prescribed by Section 53346 of the California Government Code.

3 **Section 6.** The officers of the County are, and each of them is, hereby authorized and
4 directed to do any and all things, and to execute and deliver any and all documents which said
5 officers may deem necessary or advisable in order to accomplish the purposes of this Resolution
6 and not inconsistent with the provisions hereof.

7 **ADOPTED, SIGNED AND APPROVED** this 29th day of August, 2006, by the Board of
8 Supervisors of the County of Riverside.

9 Bob Buster
10 Chairman of the Board of Supervisors
11 Bob Buster

12 ATTEST:
13 Nancy Romero
14 Clerk to the Board of Supervisors

15 BY Jana Schumm
16 Deputy

17 FORM APPROVED
18 COUNTY COUNSEL

19 AUG 14 2006
20 BY Nancy Romero

21
22
23
24
25
26
27
28

1 STATE OF CALIFORNIA)
2 COUNTY OF RIVERSIDE)

ss.


3
4 I, Nancy Romero, Clerk to the Board of Supervisors of the County of Riverside,
5 California, do hereby certify that the foregoing Resolution No. 2006-303 was duly adopted by the
6 Board of Supervisors of said County at a meeting of said Board held on the 29th day of August,
7 2006, and that it was so adopted by the following vote:

8 AYES: Buster, Tavaglione, Stone and Wilson

9 NOES: None

10 ABSTAIN: None

11 ABSENT: Ashley

12
13  Deputy
14 Clerk to the Board of Supervisors of the
15 County of Riverside

26
27
28

1 STATE OF CALIFORNIA)
2 COUNTY OF RIVERSIDE) ss.

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I, Nancy Romero, Clerk to the Board of Supervisors of the County of Riverside, California, do hereby certify that the above and foregoing is a full, true and correct copy of Resolution No. 2006-303 of the Board of Supervisors of said County, and that the same has not been amended or repealed.

Dated: AUG 29 2006


Deputy
Clerk to the Board of Supervisors of the
County of Riverside