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

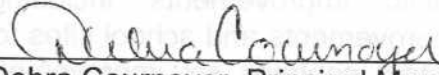
FROM: EXECUTIVE OFFICE

SUBMITTAL DATE:
July 17, 2006

SUBJECT: Initiation of Proceedings to form Community Facilities District No. 05-4 (Winchester Hills) 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. 2006-304 of its Intention to Establish Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside, to Designate Improvement Areas, and to Authorize the Levy of a Special Tax; (3) adopt Resolution No. 2006-305 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

COUNTY COUNSEL

AUG 14 2006

BY  Departmental Concurrence


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:	05/06
SOURCE OF FUNDS: CFD Bond Proceeds			Positions To Be Deleted Per A-30	<input type="checkbox"/>
C.E.O. RECOMMENDATION: APPROVE			Requires 4/5 Vote	<input type="checkbox"/>

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

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

Prev. Agn. Ref.: | District: 3 | Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

9.4

BACKGROUND: Property owners in the vicinity of the Winchester Corridor have requested that the County form a community facilities district to fund public improvements in the Winchester / Menifee area in order to finance items 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 recreational facilities for Valley Wide Improvements and school sites for Hemet Unified School District. The proposed district contains six improvement areas (numbered 'A' through 'F'). It is a Participant CFD to the proposed CFD No. 05-1 (Salt Creek Bridges).

Winchester Hills is 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 \$78 million in Special Tax Bonds will be issued to finance the improvements of the six 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 1,159 single-family and 378 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 is approximately per acre for undeveloped property:

Improvement Area	Land Use Category	Taxable Parcel/Acre	Special Tax Rate
A	Single Family Property	Parcel	\$2,895 - \$3,936
A	Undeveloped	Acre	\$16,161
B	Single Family Property	Parcel	\$2,574 - \$3,378
B	Undeveloped	Acre	\$16,356
C	Single Family Property	Parcel	\$2,271 - \$3,151
C	Undeveloped	Acre	\$15,872
D	Single Family Property	Parcel	\$2,656 - \$3,696
D	Undeveloped	Acre	\$19,997
E	Single Family Property	Parcel	\$2,895 - \$4,087
E	Undeveloped	Acre	\$19,732
F	MultiFamily Property	Parcel	\$1,726 - \$1,935
F	Undeveloped	Acre	\$70,105

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. 2006-304

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. 05-4 (Winchester Hills)

WHEREAS, the Board of Supervisors (the “Board of Supervisors”) of the County of Riverside (the “County”) has received written petitions (the “Petitions”) from Lennar Homes of California, Inc., BSC Winchester Hills 260, LLC, TMC Menifee, LLC, Rancon Winchester Valley 85, LLC, Rancon Winchester Valley 200, LLC, Ashbrook West Prairie Crossing, L.P., SF 150, LLC, A.C. Newport, LLC and Barratt American Incorporated (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 six 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 six 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. 05-4 (Winchester Hills) of the County of Riverside." The Improvement
23 Areas designated within the Community Facilities District are proposed to be known as
24 "Improvement Area A of Community Facilities District No. 05-4 (Winchester Hills) of the
25 County of Riverside" ("Improvement Area A"), "Improvement Area B of Community Facilities
26 District No. 05-4 (Winchester Hills) of the County of Riverside" ("Improvement Area B"),
27 "Improvement Area C of Community Facilities District No. 05-4 (Winchester Hills) of the
28 County of Riverside" ("Improvement Area C"), "Improvement Area D of Community Facilities

1 District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area D”),
2 “Improvement Area E of Community Facilities District No. 05-4 (Winchester Hills) of the County
3 of Riverside” (“Improvement Area E”) and “Improvement Area F of Community Facilities
4 District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area F”).

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

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

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

1 private residential purposes be increased as a consequence of delinquency or default by the owner
2 of any other parcel or parcels within Improvement Area A by more than 10%.

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

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

1 private residential purposes be increased as a consequence of delinquency or default by the owner
2 of any other parcel or parcels within Improvement Area C by more than 10%.

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

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

1 private residential purposes be increased as a consequence of delinquency or default by the owner
2 of any other parcel or parcels within Improvement Area E by more than 10%.

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

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

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

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

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

14 The Clerk is hereby further directed to give notice of said public hearing, as prepared and
15 approved by bond counsel, by first-class mail to each registered voter and to each landowner
16 within the Community Facilities District. Said notice shall be mailed at least 15 days prior to the
17 date of said hearing and shall contain the same information as is required to be contained in the
18 notice published pursuant to Section 53322 of the Government Code.

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

25 **Section 10.** Each officer of the County who is or will be responsible for providing one or
26 more of the proposed types of Facilities is hereby directed to study, or cause to be studied, the
27 proposed Community Facilities District and, at or before said public hearing, file a report with the
28 Board of Supervisors containing a brief description of the public facilities by type which will in

1 his or her opinion be required to adequately meet the needs of the Community Facilities District,
2 and his or her estimate of the cost of providing the Facilities. Such officers are hereby also
3 directed to estimate the fair and reasonable cost of completed public facilities proposed to be
4 purchased and the incidental expenses proposed to be paid. Such report shall be made a part of
5 the record of said public hearing.

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

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


17 **Section 13.** The officers of the County are, and each of them is, hereby authorized and
18 directed to do any and all things, and to execute and deliver any and all documents which said
19 officers may deem necessary or advisable in order to accomplish the purposes of this Resolution
20 and not inconsistent with the provisions hereof.

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

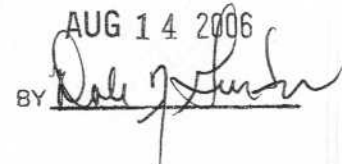
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24 Chairman of the Board of Supervisors
25 Bob Buster

25 ATTEST:
26 Nancy Romero
27 Clerk to the Board of Supervisors

28 By 
Deputy

FORM APPROVED
COUNTY COUNSEL

AUG 14 2006
BY 

2 **RESOLUTION NO. 2006 - 304**

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

7 Community Facilities District No. 05-4 (Winchester hills)

8 Roll Call

9 Ayes: Buster, Tavaglione, Stone, and Wilson

10 Nays: None

11 Absent: Ashley

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20 The foregoing is certified to be a true copy of a resolution duly adopted by said Board of
Supervisors on the date therein set forth.

21 NANCY ROMERO, Clerk of said Board

22
23 By: 
Deputy

1 EXHIBIT A

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

4
5 **Facilities**

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

11 **Facilities to be Purchased**

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

17 **Incidental Expenses**

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

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

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

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

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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. 05-4
(WINCHESTER HILLS)
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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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	≤ 2,499 sq ft	\$2,895
Single Family Property	Parcel	2,500 – 2,899 sq ft	\$3,056
Single Family Property	Parcel	2,900 – 3,299 sq ft	\$3,368
Single Family Property	Parcel	3,300 – 3,499 sq ft	\$3,690
Single Family Property	Parcel	3,500 – 3,599 sq ft	\$3,851
Single Family Property	Parcel	≥ 3,600 sq ft	\$3,936
Multifamily Property	Acre	N/A	\$16,161
Non – Residential Property	Acre	N/A	\$16,161

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 \$16,161 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 \$16,161 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 \$16,161 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 \$16,161 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 154.17 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.

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

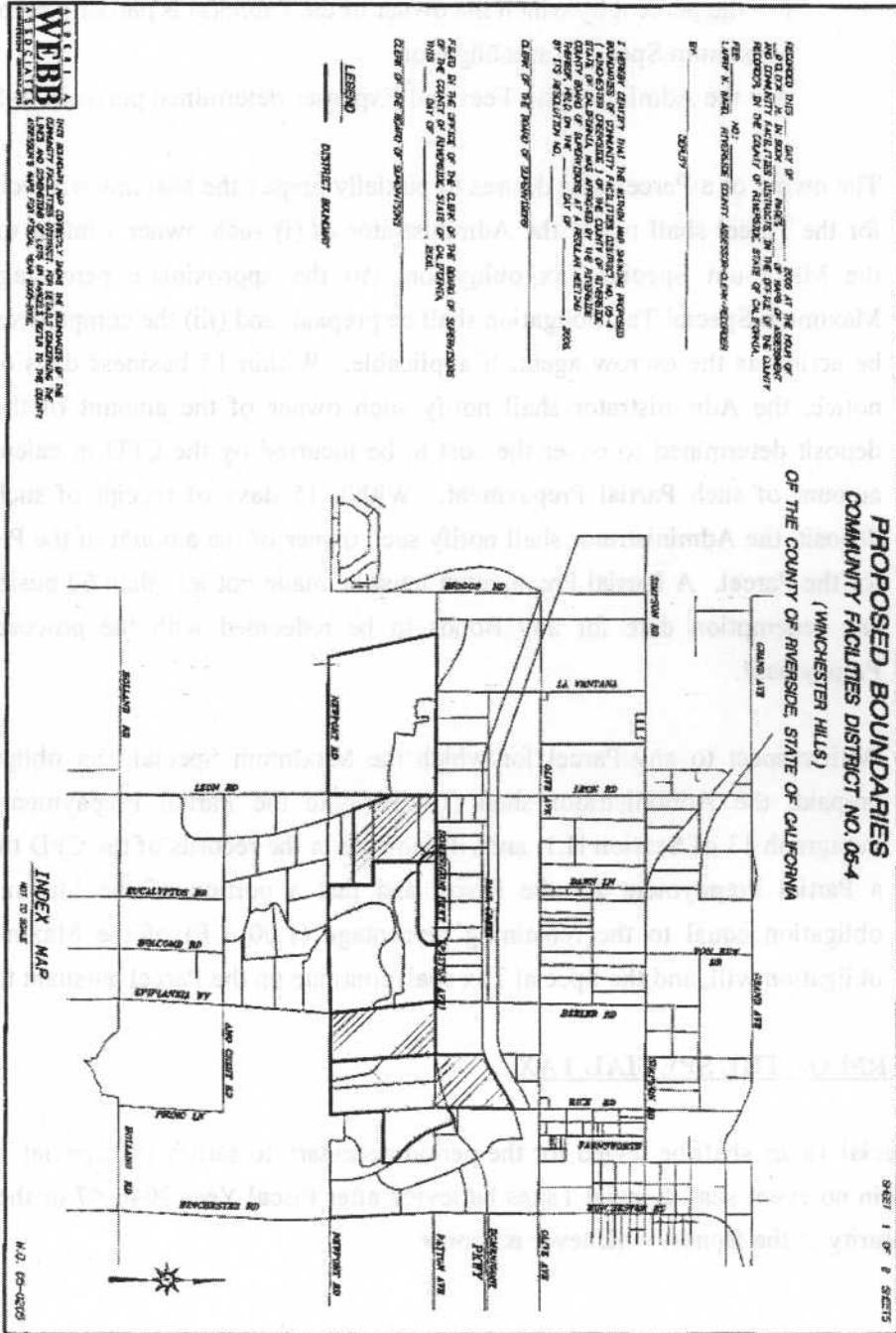


EXHIBIT B

IMPROVEMENT AREA A OF COMMUNITY FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,499 sq ft	
Single Family Property	Parcel	2,500 – 2,899 sq ft	
Single Family Property	Parcel	2,900 – 3,299 sq ft	
Single Family Property	Parcel	3,300 – 3,499 sq ft	
Single Family Property	Parcel	3,500 – 3,599 sq ft	
Single Family Property	Parcel	≥ 3,600 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.

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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. 05-4
(WINCHESTER HILLS)
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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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	≤ 2,099 sq ft	\$2,574
Single Family Property	Parcel	2,100 – 2,299 sq ft	\$2,659
Single Family Property	Parcel	2,300 – 2,599 sq ft	\$2,819
Single Family Property	Parcel	2,600 – 2,799 sq ft	\$3,056
Single Family Property	Parcel	2,800 – 2,999 sq ft	\$3,217
Single Family Property	Parcel	≥ 3,000 sq ft	\$3,378
Multifamily Property	Acre	N/A	\$16,356
Non – Residential Property	Acre	N/A	\$16,356

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 \$16,356 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 \$16,356 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 \$16,356 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 \$16,356 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 27.58 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 up to 17.65 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

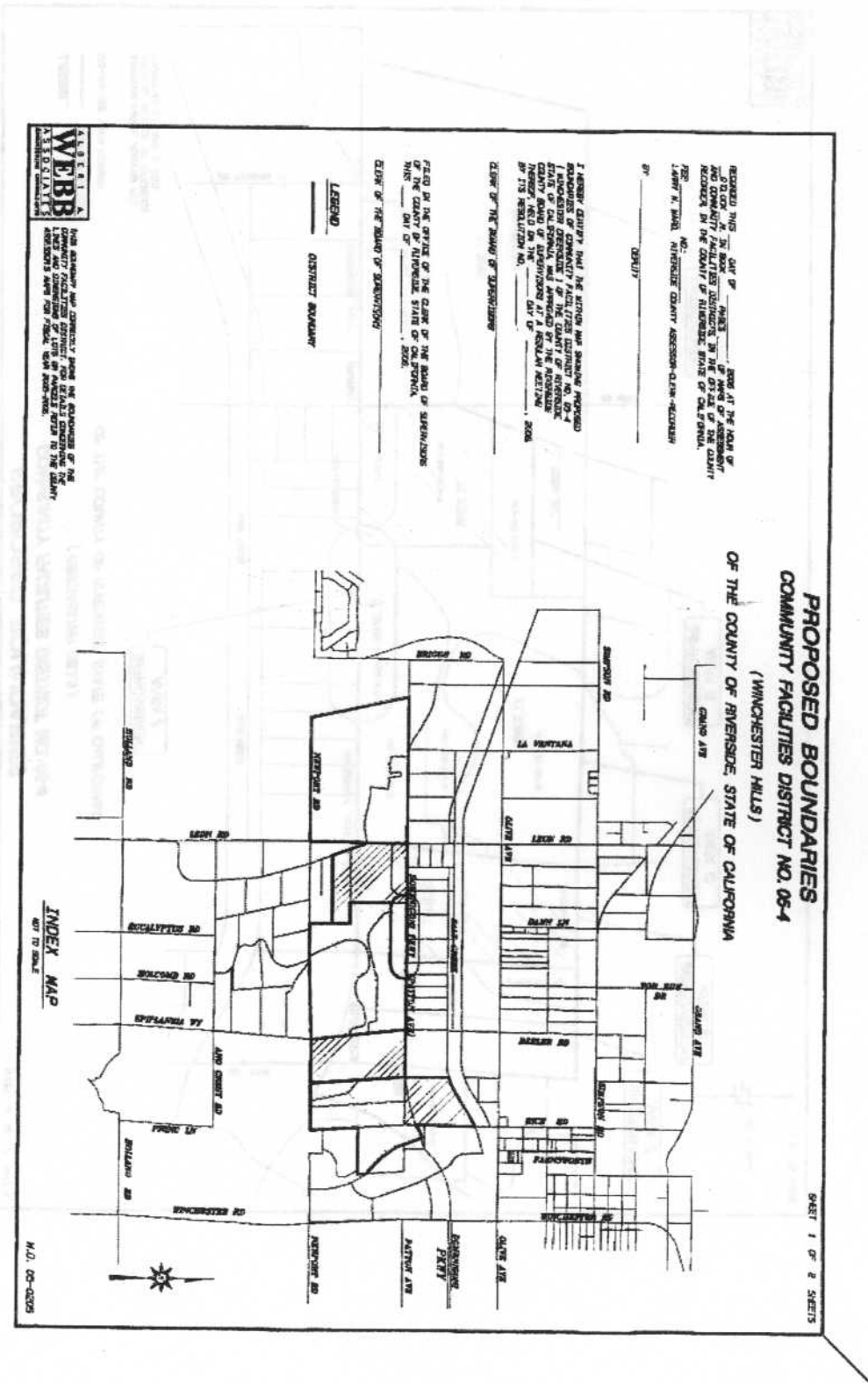
The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be 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 A Boundary Map



WEBB
LAND SURVEYORS
1000 WEST 10TH AVENUE
DENVER, COLORADO 80202

THIS SURVEY AND REPORT WERE MADE IN ACCORDANCE WITH THE PROVISIONS OF THE
LAND AND CONVEYANCE ACTS OF THE STATE OF CALIFORNIA AND THE
PROVISIONS OF THE COUNTY OF RIVERSIDE, CALIFORNIA.

RECORDED THIS DAY OF _____ 19__ BY THE CLERK OF
COUNTY OF RIVERSIDE, CALIFORNIA.
AND COMMUNITY FACILITIES DISTRICT NO. 05-4
OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.
RECORDED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA,
BOOK _____ PAGE _____

FOR
LAWYER: _____ COUNTY ASSESSOR-CLERK-RECORDER
OF _____ COUNTY

I HEREBY CERTIFY THAT THE ABOVE WAS MADE IN ACCORDANCE
WITH THE PROVISIONS OF THE COUNTY OF RIVERSIDE, CALIFORNIA,
AND COMMUNITY FACILITIES DISTRICT NO. 05-4
OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.
MADE THIS DAY OF _____ 19__

CLERK OF THE BOARD OF SUPERVISORS

FILED BY THE CLERK OF THE COUNTY OF RIVERSIDE,
OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA,
THIS DAY OF _____ 19__

CLERK OF THE BOARD OF SUPERVISORS

EXHIBIT B

IMPROVEMENT AREA B OF COMMUNITY FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,099 sq ft	
Single Family Property	Parcel	2,100 – 2,299 sq ft	
Single Family Property	Parcel	2,300 – 2,599 sq ft	
Single Family Property	Parcel	2,600 – 2,799 sq ft	
Single Family Property	Parcel	2,800 – 2,999 sq ft	
Single Family Property	Parcel	≥ 3,000 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

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Parcel ID	Area	Value	Rate	Method
100-123456	Residential	150,000	0.001	Single Family Property
100-123457	Residential	180,000	0.001	Single Family Property
100-123458	Residential	200,000	0.001	Single Family Property
100-123459	Residential	220,000	0.001	Single Family Property
100-123460	Residential	250,000	0.001	Single Family Property
100-123461	Residential	280,000	0.001	Single Family Property
100-123462	Residential	300,000	0.001	Single Family Property
100-123463	Residential	350,000	0.001	Single Family Property
100-123464	Residential	400,000	0.001	Single Family Property
100-123465	Residential	450,000	0.001	Single Family Property
100-123466	Residential	500,000	0.001	Single Family Property
100-123467	Residential	550,000	0.001	Single Family Property
100-123468	Residential	600,000	0.001	Single Family Property
100-123469	Residential	650,000	0.001	Single Family Property
100-123470	Residential	700,000	0.001	Single Family Property
100-123471	Residential	750,000	0.001	Single Family Property
100-123472	Residential	800,000	0.001	Single Family Property
100-123473	Residential	850,000	0.001	Single Family Property
100-123474	Residential	900,000	0.001	Single Family Property
100-123475	Residential	950,000	0.001	Single Family Property
100-123476	Residential	1,000,000	0.001	Single Family Property
100-123477	Residential	1,050,000	0.001	Single Family Property
100-123478	Residential	1,100,000	0.001	Single Family Property
100-123479	Residential	1,150,000	0.001	Single Family Property
100-123480	Residential	1,200,000	0.001	Single Family Property
100-123481	Residential	1,250,000	0.001	Single Family Property
100-123482	Residential	1,300,000	0.001	Single Family Property
100-123483	Residential	1,350,000	0.001	Single Family Property
100-123484	Residential	1,400,000	0.001	Single Family Property
100-123485	Residential	1,450,000	0.001	Single Family Property
100-123486	Residential	1,500,000	0.001	Single Family Property
100-123487	Residential	1,550,000	0.001	Single Family Property
100-123488	Residential	1,600,000	0.001	Single Family Property
100-123489	Residential	1,650,000	0.001	Single Family Property
100-123490	Residential	1,700,000	0.001	Single Family Property
100-123491	Residential	1,750,000	0.001	Single Family Property
100-123492	Residential	1,800,000	0.001	Single Family Property
100-123493	Residential	1,850,000	0.001	Single Family Property
100-123494	Residential	1,900,000	0.001	Single Family Property
100-123495	Residential	1,950,000	0.001	Single Family Property
100-123496	Residential	2,000,000	0.001	Single Family Property
100-123497	Residential	2,050,000	0.001	Single Family Property
100-123498	Residential	2,100,000	0.001	Single Family Property
100-123499	Residential	2,150,000	0.001	Single Family Property
100-123500	Residential	2,200,000	0.001	Single Family Property

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA C OF
COMMUNITY FACILITIES DISTRICT NO. 05-4
(WINCHESTER HILLS)
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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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	≤ 1,699 sq ft	\$2,271
Single Family Property	Parcel	1,700 – 1,999 sq ft	\$2,432
Single Family Property	Parcel	2,000 – 2,399 sq ft	\$2,669
Single Family Property	Parcel	2,400 – 2,599 sq ft	\$2,990
Single Family Property	Parcel	≥ 2,600 sq ft	\$3,151
Multifamily Property	Acre	N/A	\$15,872
Non – Residential Property	Acre	N/A	\$15,872

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 \$15,872 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 \$15,872 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 \$15,872 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 \$15,872 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 130.75 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.

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

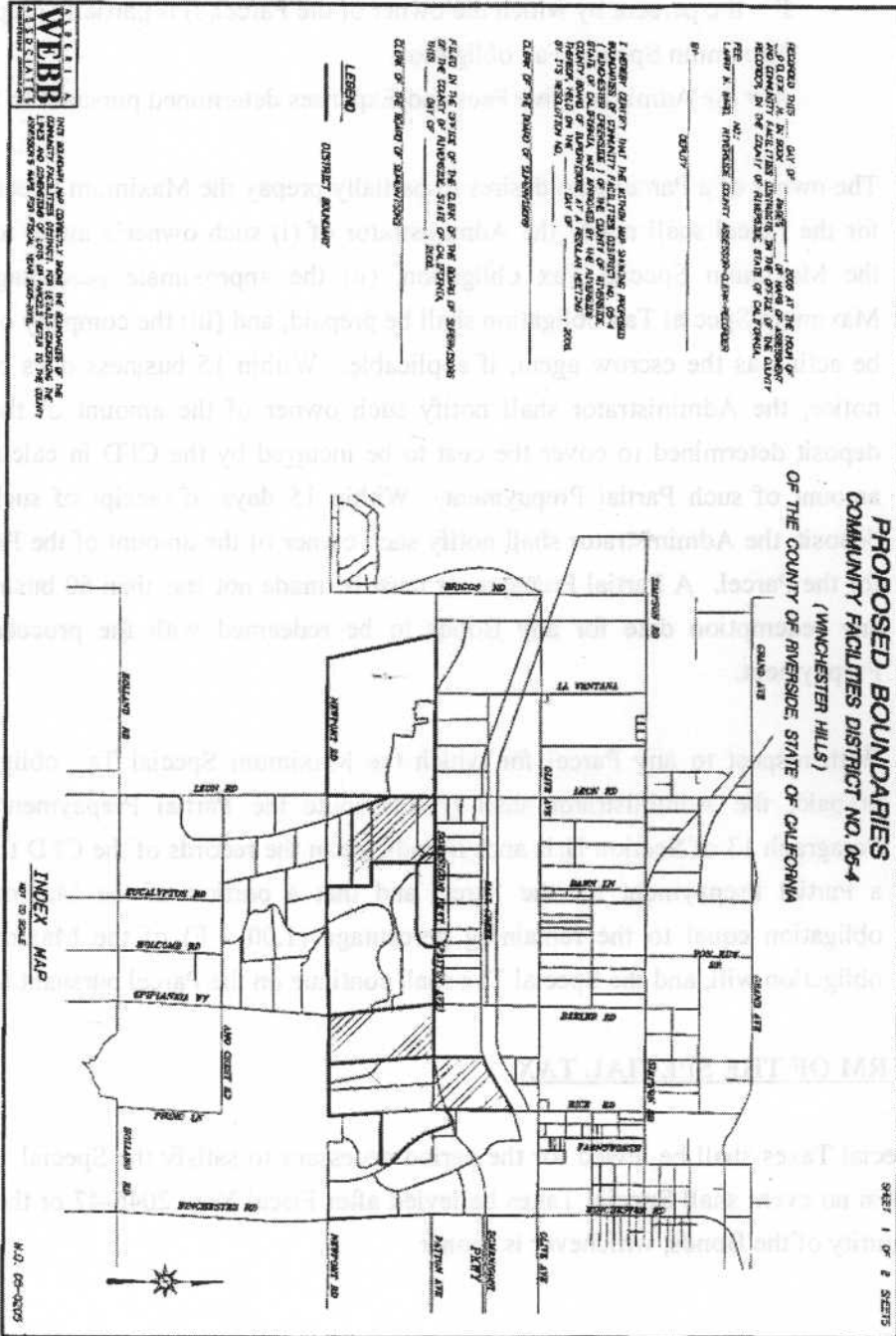
The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be 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



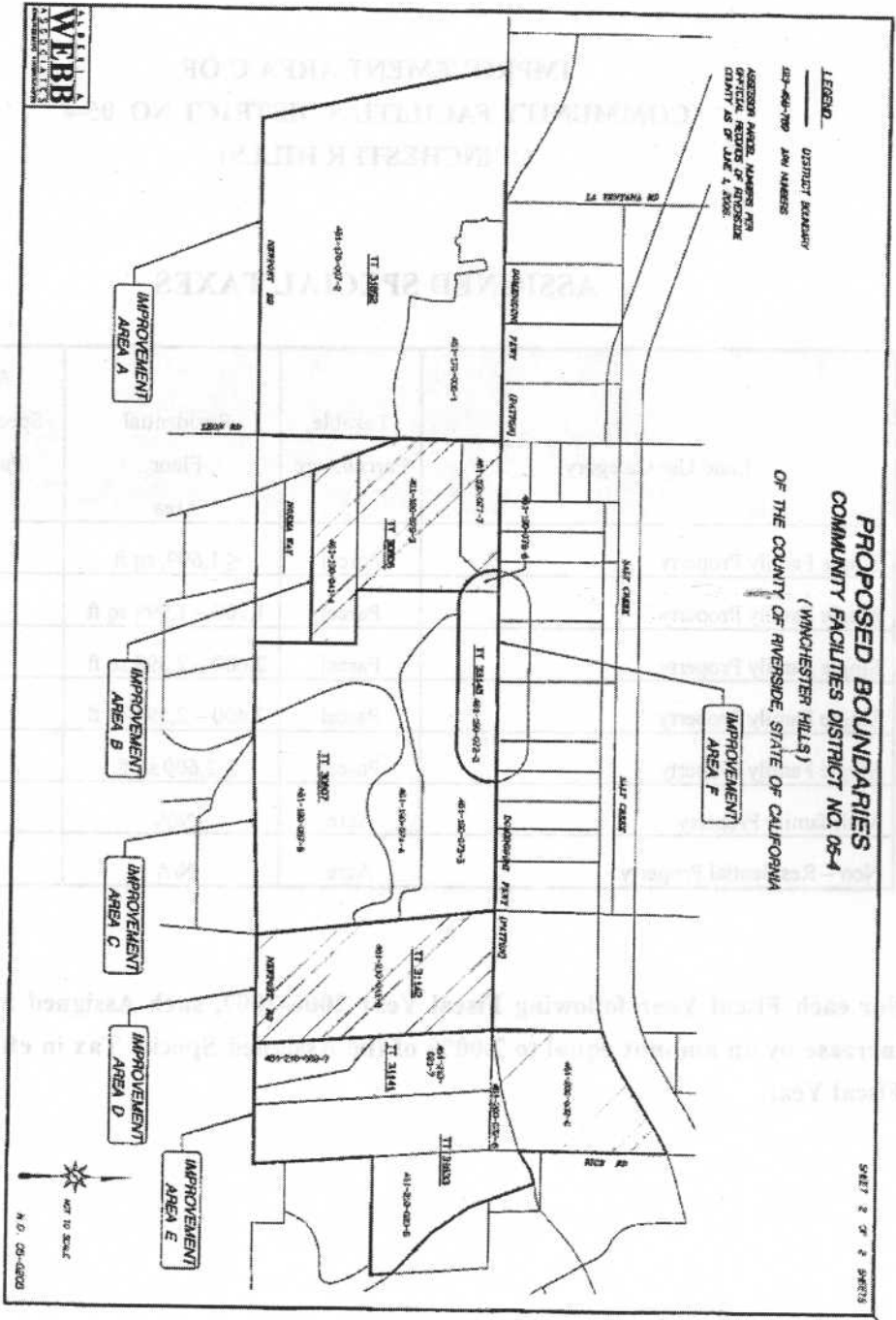


EXHIBIT B

IMPROVEMENT AREA C OF COMMUNITY FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 1,699, sq ft	
Single Family Property	Parcel	1,700 – 1,999 sq ft	
Single Family Property	Parcel	2,000 – 2,399 sq ft	
Single Family Property	Parcel	2,400 – 2,599 sq ft	
Single Family Property	Parcel	≥ 2,600 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.

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA D OF
COMMUNITY FACILITIES DISTRICT NO. 05-4
(WINCHESTER HILLS)
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 D (the "Improvement Area") of Community Facilities District No. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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 D of Community Facilities District No. 05-4 (Winchester Hills) 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	≤ 2,099 sq ft	\$2,656
Single Family Property	Parcel	2,100 – 2,399 sq ft	\$2,817
Single Family Property	Parcel	2,400 – 2,499 sq ft	\$3,053
Single Family Property	Parcel	2,500 – 2,899 sq ft	\$3,138
Single Family Property	Parcel	2,900 – 3,199 sq ft	\$3,450
Single Family Property	Parcel	≥ 3,200 sq ft	\$3,696
Multifamily Property	Acre	N/A	\$19,997
Non – Residential Property	Acre	N/A	\$19,997

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 \$19,997 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 \$19,997 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 \$19,997 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 \$19,997 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 44.77 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 4.68 acres of private property as identified in Exhibits C hereto.

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.

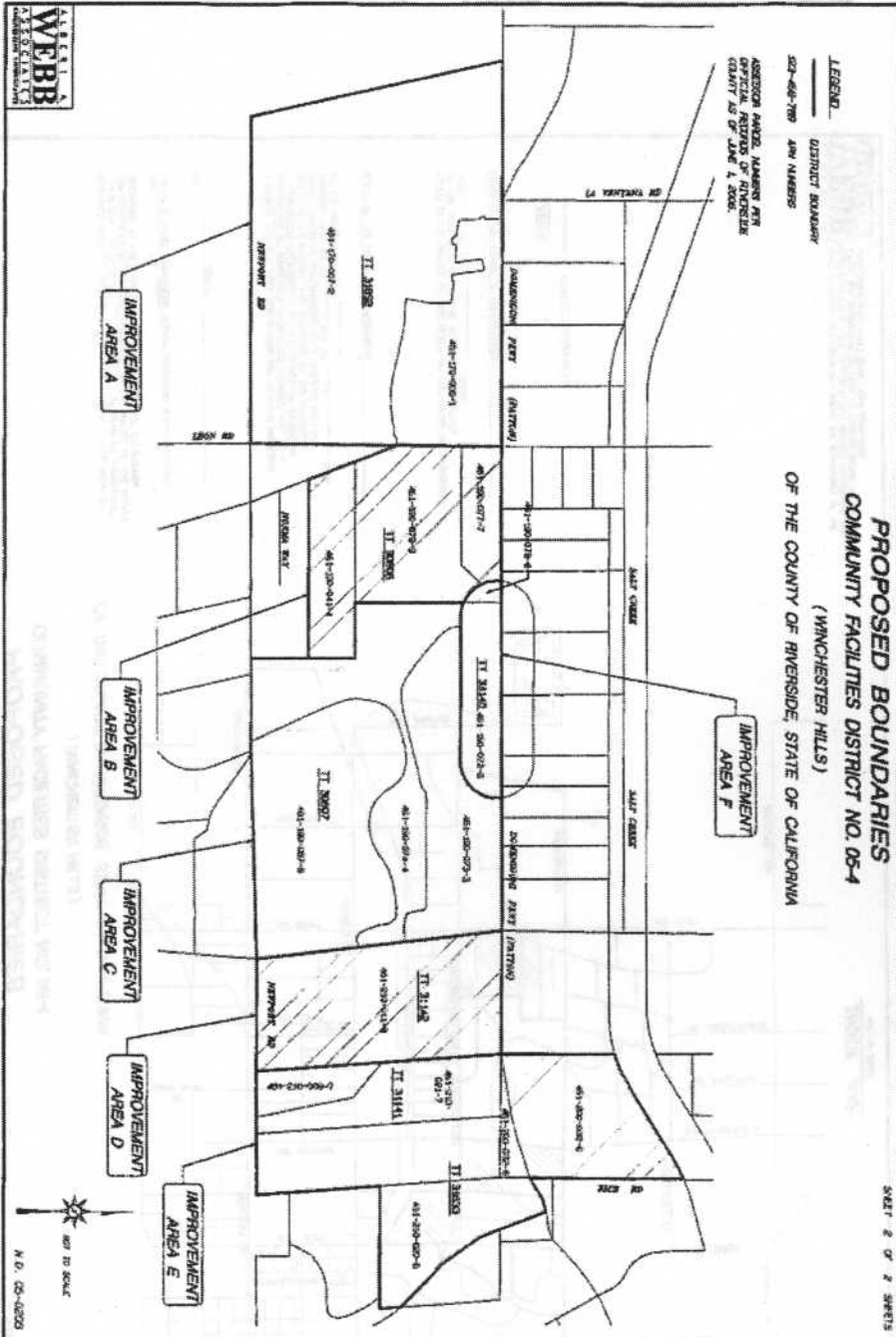


EXHIBIT B

IMPROVEMENT AREA D OF COMMUNITY FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,099 sq ft	
Single Family Property	Parcel	2,100 – 2,399 sq ft	
Single Family Property	Parcel	2,400 – 2,499 sq ft	
Single Family Property	Parcel	2,500 – 2,899 sq ft	
Single Family Property	Parcel	2,900 – 3,199 sq ft	
Single Family Property	Parcel	≥ 3,200 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 "C"
CFD 05-4, IMPROVEMENT AREA 'D'
CFD EXEMPTION

That portion of the west half of the southwest quarter of Section 33, Township 5 South, Range 2 West, San Bernardino Meridian, in the County of Riverside, California, also being a portion of Parcel 2 of Lot Line Adjustment No. 4964 recorded May 24, 2006 as Instrument No. 2006-0374955, Grant Deed recorded May 24, 2006 as Instrument No. 2006-0374958, said portion being described as follows:

COMMENCING at the southwest corner of said Section 33, said corner also being the southwest corner of said Parcel 2;

Thence North 05°12'06" West along the westerly line of said Section 33 and along the westerly line of said Parcel 2, a distance of 1163.88 feet to a point thereon;

Thence North 84°47'54" East, perpendicular to said westerly line, a distance of 274.92 feet to the **TRUE POINT OF BEGINNING**;

Thence North 60°57'54" East, a distance of 241.72 feet;

Thence North 00°28'14" East, a distance of 216.57 feet to the beginning of a non-tangent curve, concave to the north, having a radius of 628.00 feet, the radial line from said point bears North 00°28'14" East;

Thence easterly along said curve, to the left, through a central angle of 00°45'05", an arc distance of 8.23 feet;

Thence North 89°43'09" East, a distance of 202.54 feet to the beginning of a tangent curve, concave to the north, having a radius of 1028.00 feet;

Thence easterly along said curve, to the left, through a central angle of 00°44'46", an arc distance of 13.39 feet;

Thence South 01°01'37" East radial to said curve, a distance of 35.00 feet;

Thence North 88°58'23" East, a distance of 19.21 feet;

Thence South 13°23'01" East, a distance of 403.95 feet;

Thence South 28°06'16" West, a distance of 145.05 feet to the beginning of a non-tangent curve, concave to the south, having a radius of 100.00 feet, the radial line from said point bears South 12°52'05" West;

Thence westerly along said curve, to the left, through a central angle of $20^{\circ}18'05''$, an arc distance of 35.43 feet, to the beginning of a compound curve, concave to the south, having a radius of 441.20 feet, the radial line from said point bears South $07^{\circ}26'00''$ East;

Thence westerly along said curve, to the left, through a central angle of $09^{\circ}07'45''$, an arc distance of 70.30 feet to the beginning of a reverse curve, concave to the northeast, having a radius of 250.91 feet, the radial line from said point bears North $16^{\circ}33'45''$ West;


Thence westerly and northwesterly along said curve, to the right, through a central angle of $82^{\circ}41'08''$, an arc distance of 362.09 feet to the beginning of a reverse curve, concave to the southwest, having a radius of 229.55 feet, the radial line from said point bears South $66^{\circ}07'23''$ West;

Thence northwesterly along said curve to the left, through a central angle of $30^{\circ}52'36''$, an arc distance of 123.70 feet to the TRUE POINT OF BEGINNING, the radial line from said point bears South $35^{\circ}14'48''$ West.

Containing 4.68 acres, more or less.

SEE PLAT ATTACHED HERETO AND MADE A PART HEREOF

PREPARED UNDER MY SUPERVISION


Mohammad A. Faghihi, L.S. 6607

7/18/06
Date





Prepared By: 
Checked By: 

EXHIBIT "C"

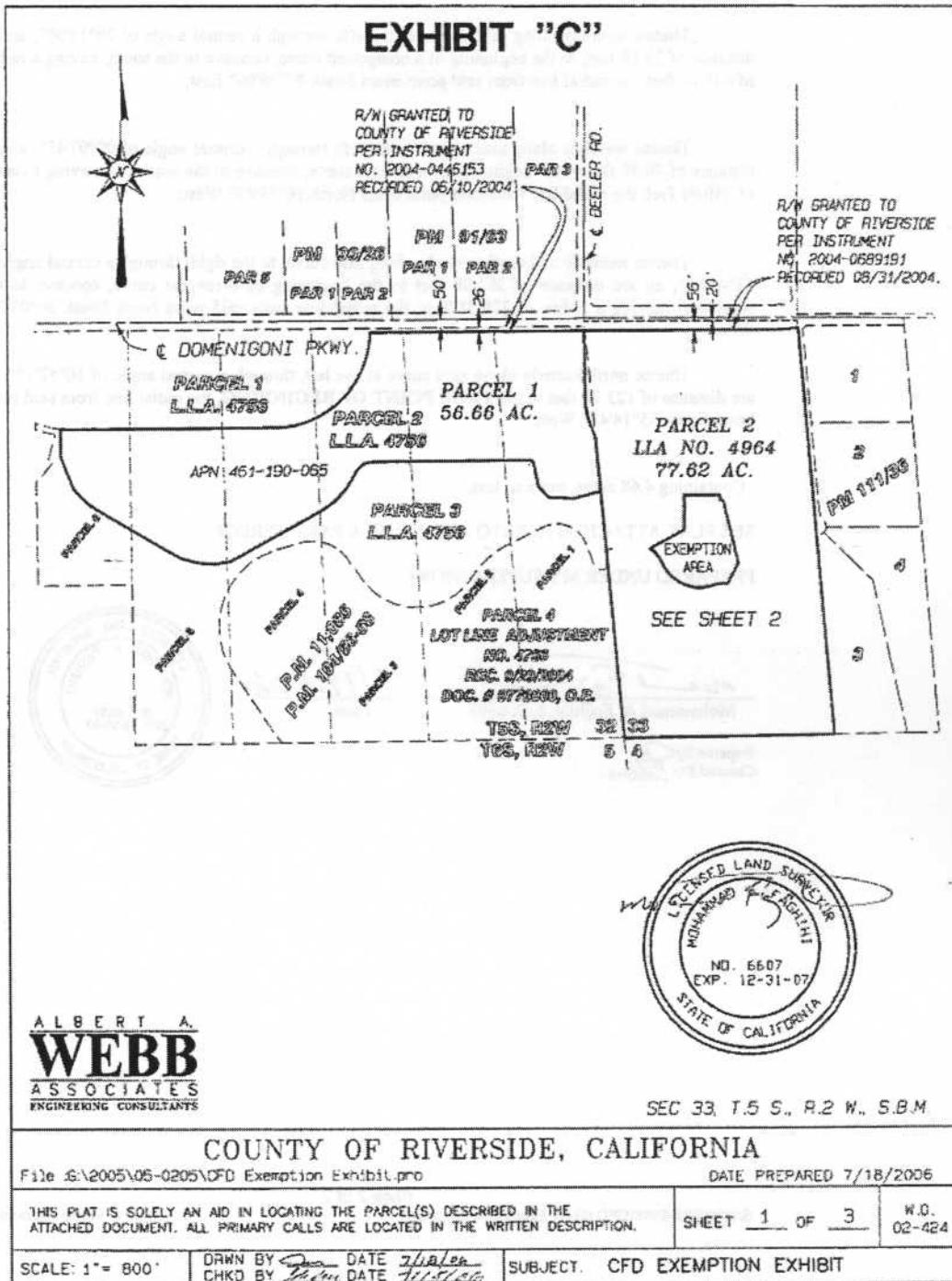
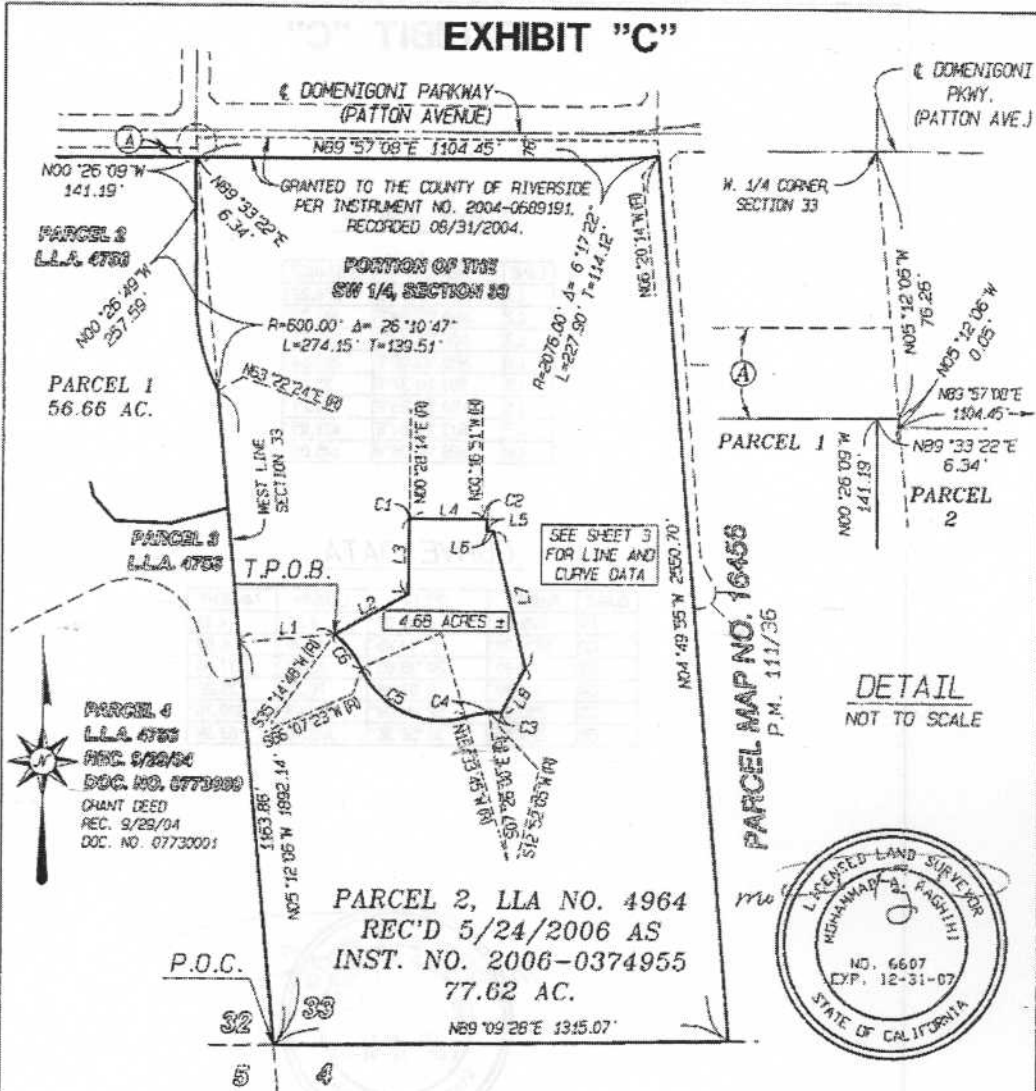


EXHIBIT "C"



PARCEL 2, LLA NO. 4964
REC'D 5/24/2006 AS
INST. NO. 2006-0374955
77.62 AC.

SEC. 33, T.5 S., R.2 W., S.B.M.

ALBERT A. **WEBB** ASSOCIATES ENGINEERING CONSULTANTS

COUNTY OF RIVERSIDE, CALIFORNIA

File: G:\2005\05-0205\CFD Exemption Exhibit.pro DATE PREPARED 7/18/2006

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. ALL PRIMARY CALLS ARE LOCATED IN THE WRITTEN DESCRIPTION.

SHEET 2 OF 3 W.O. 02-424

SCALE: 1" = 400' DRAWN BY [Signature] DATE 7/18/06 SUBJECT: CFD EXEMPTION EXHIBIT
CHKD BY [Signature] DATE 7/18/06

EXHIBIT "C"

LINE DATA

LINE	BEARING	DISTANCE
L1	N64°47'54"E	274.92'
L2	N60°57'54"E	241.72'
L3	N00°28'14"E	216.57'
L4	N89°43'09"E	202.54'
L5	S01°01'37"E	35.00'
L6	N58°58'23"E	19.21'
L7	S13°23'01"E	403.95'
L8	S28°06'16"W	145.05'

CURVE DATA

CURVE	RADIUS	DELTA	LENGTH	TANGENT
C1	628.00'	0°45'05"	8.23'	4.12'
C2	1028.00'	0°44'45"	13.39'	6.69'
C3	100.00'	20°18'05"	35.43'	17.90'
C4	441.20'	9°07'45"	70.30'	35.22'
C5	250.91'	62°41'08"	352.09'	220.76'
C6	229.55'	30°52'36"	123.70'	63.39'



ALBERT A.
WEBB
ASSOCIATES
ENGINEERING CONSULTANTS

SEC 33, T.5 S., R.2 W., S.B.M.

COUNTY OF RIVERSIDE, CALIFORNIA

File G:\2005\05-0205\CFD Exemption Exhibit.pro

DATE PREPARED 7/18/2006

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. ALL PRIMARY CALLS ARE LOCATED IN THE WRITTEN DESCRIPTION.

SHEET 3 OF 3

W.D.
02-424

DRWN BY Sam DATE 7/18/06
CHKD BY Alia DATE 7/18/06

SUBJECT: CFD EXEMPTION EXHIBIT

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EXHIBIT F

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

A. DEFINITIONS

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA E OF
COMMUNITY FACILITIES DISTRICT NO. 05-4
(WINCHESTER HILLS)
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 E (the "Improvement Area") of Community Facilities District No. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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 E of Community Facilities District No. 05-4 (Winchester Hills) 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	≤ 2,499 sq ft	\$2,895
Single Family Property	Parcel	2,500 – 2,799 sq ft	\$3,056
Single Family Property	Parcel	2,800 – 3,199 sq ft	\$3,293
Single Family Property	Parcel	3,200 – 3,599 sq ft	\$3,614
Single Family Property	Parcel	3,600 – 3,799 sq ft	\$3,936
Single Family Property	Parcel	≥ 3,800 sq ft	\$4,087
Multifamily Property	Acre	N/A	\$19,732
Non – Residential Property	Acre	N/A	\$19,732

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 \$19,732 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 \$19,732 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 \$19,732 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 \$19,732 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 80.35 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 32.81 acres northerly 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

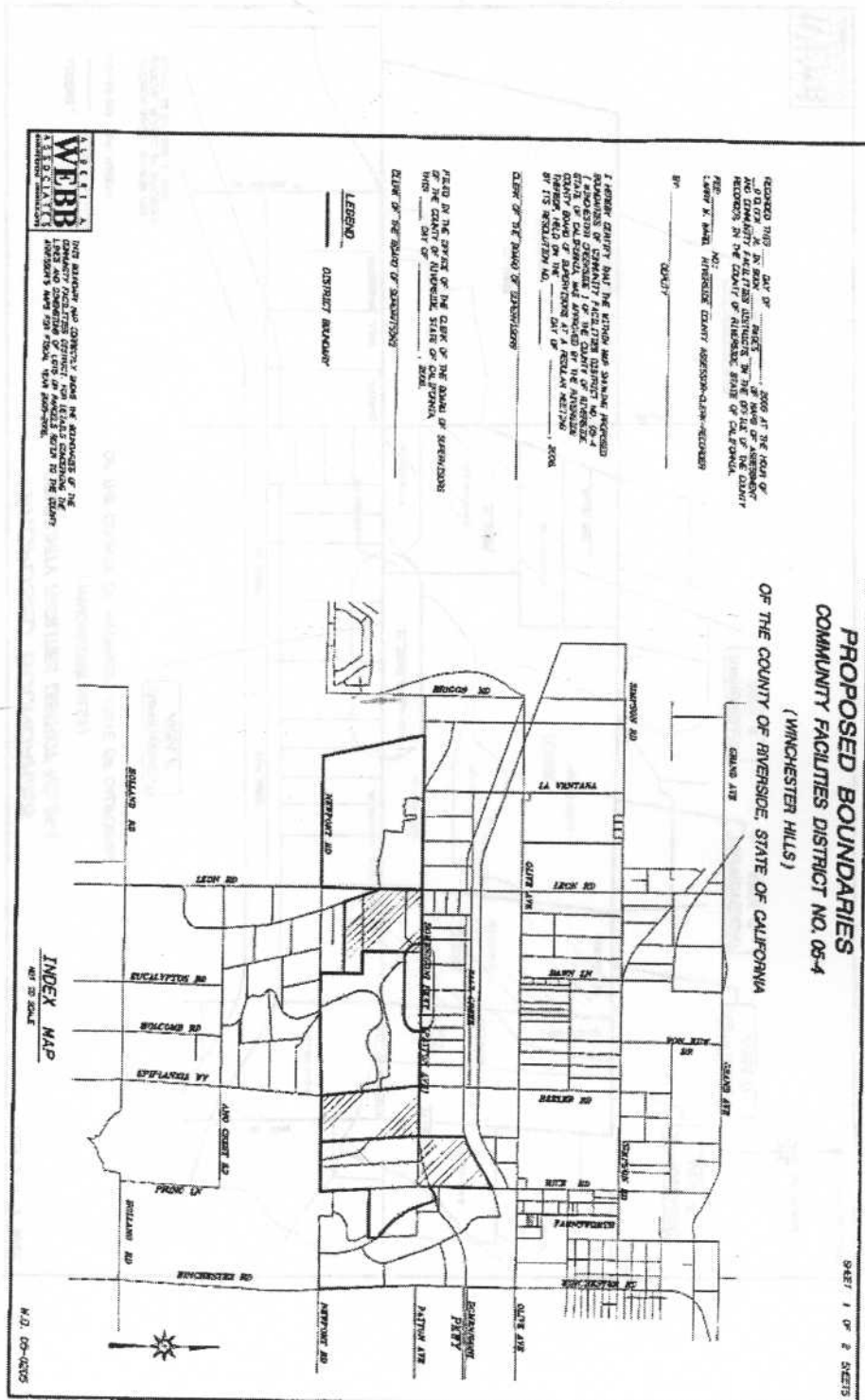
The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the approximate percentage by which the Maximum Special Tax obligation shall be 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



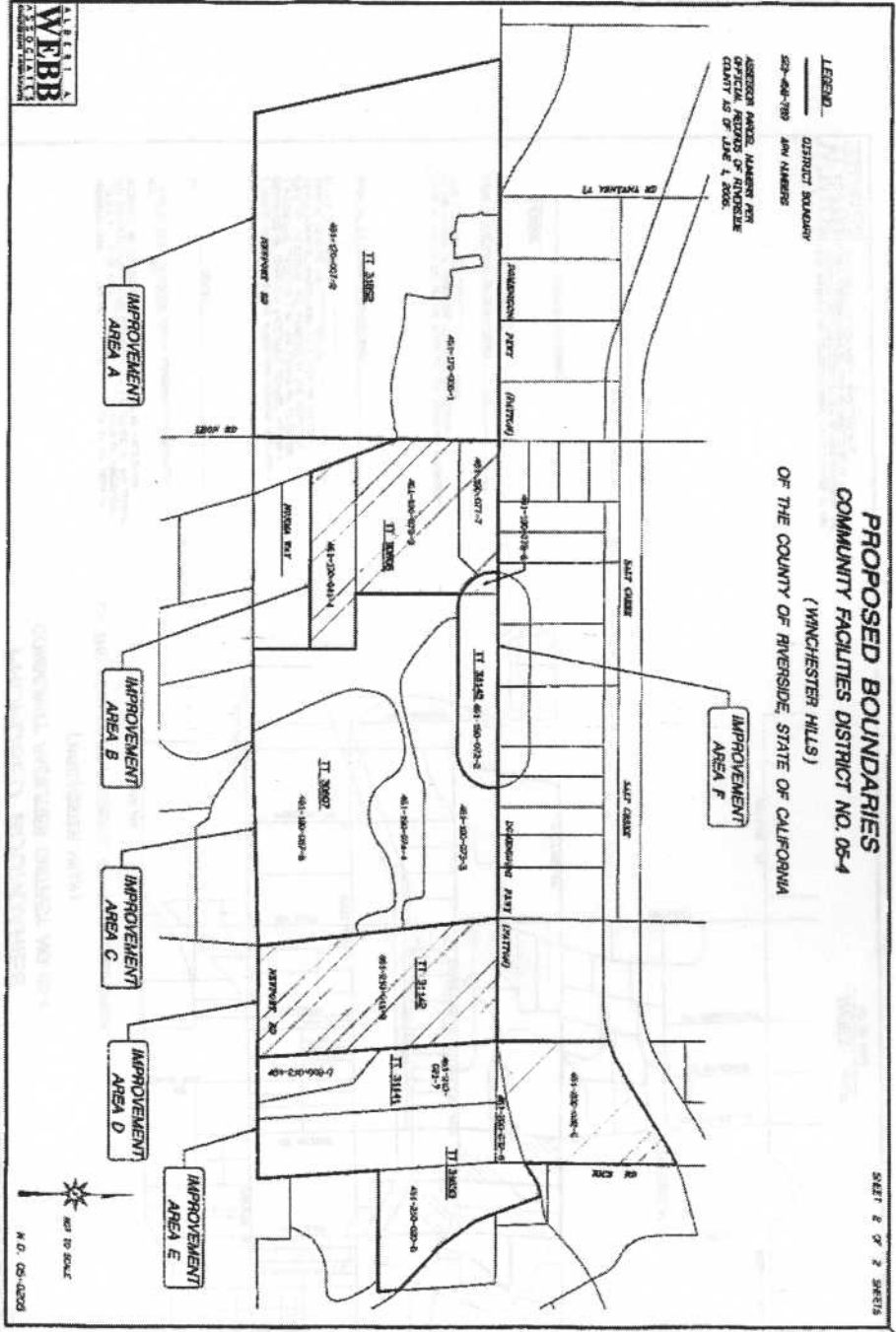


EXHIBIT B

**IMPROVEMENT AREA E OF
COMMUNITY FACILITIES DISTRICT NO. 05-4
(WINCHESTER HILLS)**

ASSIGNED SPECIAL TAXES

Land Use Category	Taxable Parcel/Acre	Residential Floor Area	Assigned Special Tax Per Parcel/Acre
Single Family Property	Parcel	≤ 2,499 sq ft	
Single Family Property	Parcel	2,500 – 2,799 sq ft	
Single Family Property	Parcel	2,800 – 3,199 sq ft	
Single Family Property	Parcel	3,200 – 3,599 sq ft	
Single Family Property	Parcel	3,600 – 3,799 sq ft	
Single Family Property	Parcel	≥ 3,800 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.

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EXHIBIT G

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

COMMISSIONERS OF THE BOARD OF SUPERVISORS
COUNTY OF WASHINGTON
IN THE MATTER OF

ASSIGNMENT OF SPECIAL TAX

Parcel ID	Assessed Value	Special Tax Rate	Special Tax Amount
100-1-1-10000	100,000	0.005	500
100-1-1-10001	100,000	0.005	500
100-1-1-10002	100,000	0.005	500
100-1-1-10003	100,000	0.005	500
100-1-1-10004	100,000	0.005	500
100-1-1-10005	100,000	0.005	500
100-1-1-10006	100,000	0.005	500
100-1-1-10007	100,000	0.005	500
100-1-1-10008	100,000	0.005	500
100-1-1-10009	100,000	0.005	500
100-1-1-10010	100,000	0.005	500

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
IMPROVEMENT AREA F OF
COMMUNITY FACILITIES DISTRICT NO. 05-4
(WINCHESTER HILLS)
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 F (the "Improvement Area") of Community Facilities District No. 05-4 (Winchester Hills) 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. 05-4 (Winchester Hills) 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 F of Community Facilities District No. 05-4 (Winchester Hills) 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	\$1,726
Single Family Property	Parcel	1,400 – 1,499 sq ft	\$1,734
Single Family Property	Parcel	1,500 – 1,599 sq ft	\$1,801
Single Family Property	Parcel	1,600 – 1,799 sq ft	\$1,876
Single Family Property	Parcel	≥ 1,800 sq ft	\$1,935
Multifamily Property	Acre	N/A	\$70,105
Non – Residential Property	Acre	N/A	\$70,105

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 \$70,105 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 \$70,105 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 \$70,105 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 \$70,105 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 0.00 Acres of Public Property.
- (2) The Legislative Body shall not levy Special Taxes on up to 16.41 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.

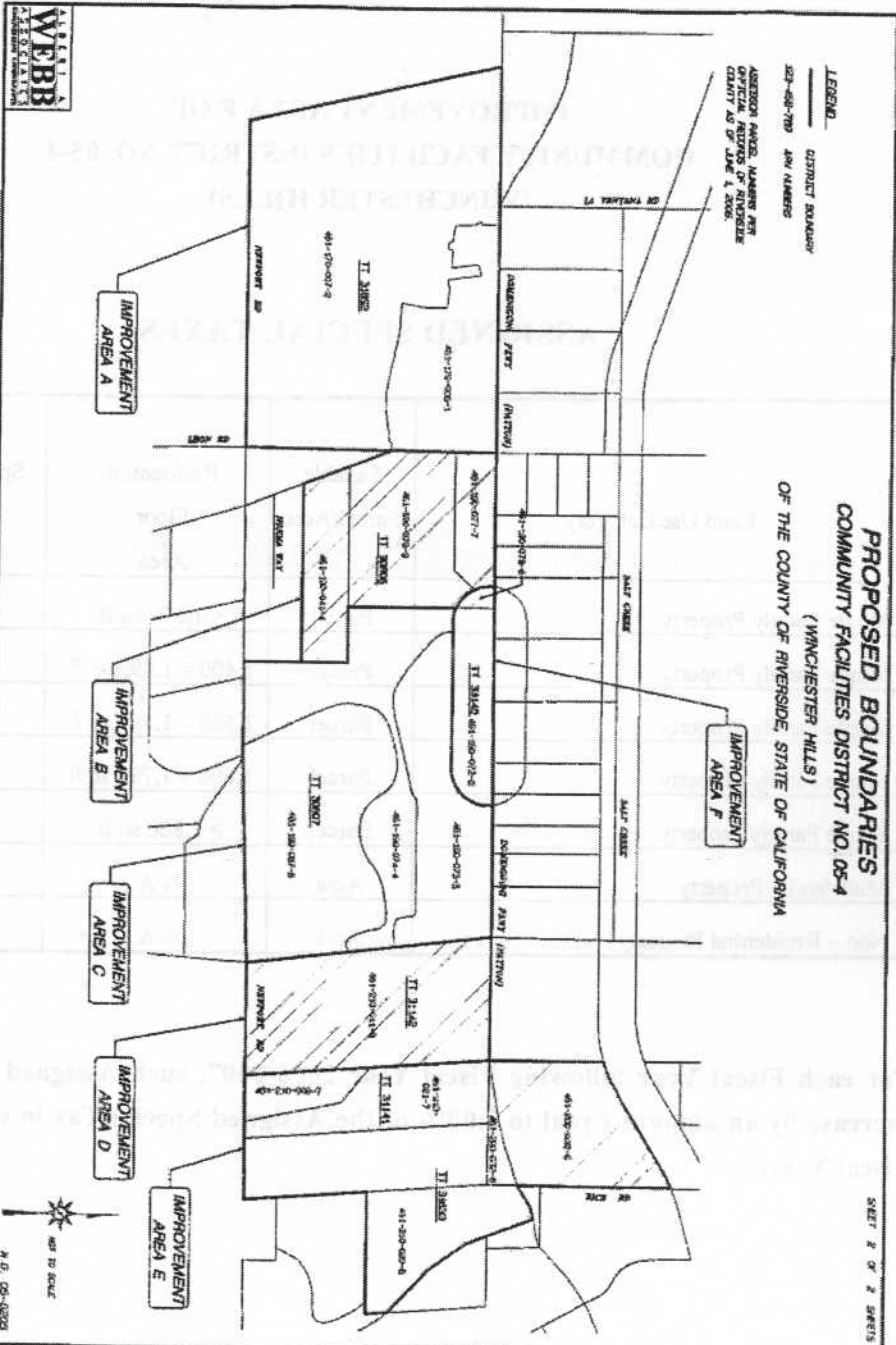


EXHIBIT B

IMPROVEMENT AREA F OF COMMUNITY FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)

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 – 1,499 sq ft	
Single Family Property	Parcel	1,500 – 1,599 sq ft	
Single Family Property	Parcel	1,600 – 1,799 sq ft	
Single Family Property	Parcel	≥ 1,800 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. 2006-305

**A RESOLUTION OF THE BOARD OF SUPERVISORS OF
THE COUNTY OF RIVERSIDE TO INCUR BONDED
INDEBTEDNESS OF THE PROPOSED COMMUNITY
FACILITIES DISTRICT NO. 05-4 (WINCHESTER HILLS)
OF THE COUNTY OF RIVERSIDE**

Community Facilities District No. 05-4 (Winchester Hills)

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. 05-4 (Winchester Hills) of the County of Riverside (the “Community Facilities District”) and to designate portions of the Community Facilities District as six improvement areas (each an “Improvement Area”) to be known as “Improvement Area A of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area A”), “Improvement Area B of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area B”), “Improvement Area C of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area C”), “Improvement Area D of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area D”), “Improvement Area E of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area E”) and “Improvement Area F of Community Facilities District No. 05-4 (Winchester Hills) of the County of Riverside” (“Improvement Area F”), 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 \$78,000,000; and

1 **WHEREAS**, the portion of the Community Facilities District designated as Improvement
2 Area A will pay for the bonded indebtedness in the amount of up to \$24,000,000, the portion of
3 the Community Facilities District designated as Improvement Area B will pay for the bonded
4 indebtedness in the amount of up to \$10,000,000, the portion of the Community Facilities District
5 designated as Improvement Area C will pay for the bonded indebtedness in the amount of up to
6 \$9,000,000, the portion of the Community Facilities District designated as Improvement Area D
7 will pay for the bonded indebtedness in the amount of up to \$10,000,000, the portion of the
8 Community Facilities District designated as Improvement Area E will pay for the bonded
9 indebtedness in the amount of up to \$14,000,000 and the portion of the Community Facilities
10 District designated as Improvement Area F will pay for the bonded indebtedness in the amount of
11 up to \$11,000,000;

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

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

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

21 **Section 3.** The maximum amount of the proposed debt is \$78,000,000. The
22 maximum amount of the proposed debt to be paid for by the portion of the Community Facilities
23 District designated as Improvement Area A is \$24,000,000. The maximum amount of the
24 proposed debt to be paid for by the portion of the Community Facilities District designated as
25 Improvement Area B is \$10,000,000. The maximum amount of the proposed debt to be paid for
26 by the portion of the Community Facilities District designated as Improvement Area C is
27 \$9,000,000. The maximum amount of the proposed debt to be paid for by the portion of the
28 Community Facilities District designated as Improvement Area D is \$10,000,000. The maximum

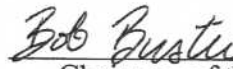
1 amount of the proposed debt to be paid for by the portion of the Community Facilities District
2 designated as Improvement Area E is \$14,000,000. The maximum amount of the proposed debt
3 to be paid for by the portion of the Community Facilities District designated as Improvement Area
4 F is \$11,000,000.

5 **Section 4.** The Board of Supervisors hereby fixes Tuesday, October 3, 2006, at
6 9:30 a.m., or as soon thereafter as the Board of Supervisors may reach the matter, at the Board of
7 Supervisors Chambers, 4080 Lemon Street, 1st Floor, Riverside, California, as the time and place
8 when and where the Board of Supervisors will conduct a public hearing on the proposed debt
9 issue.

10 **Section 5.** The Clerk to the Board of Supervisors is hereby directed to publish, or
11 cause to be published, a notice of said public hearing, as prepared and approved by bond counsel,
12 one time in *The Press-Enterprise*, a newspaper of general circulation published in the area of the
13 Community Facilities District. The publication of said notice shall be completed at least seven
14 days prior to the date herein fixed for said hearing. Said notice shall contain the information
15 prescribed by Section 53346 of the California Government Code.

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

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

22 

23 Chairman of the Board of Supervisors
24 Bob Buster

25 ATTEST:
26 Nancy Romero
27 Clerk to the Board of Supervisors

28 By: 
Deputy

FORM APPROVED
COUNTY COUNSEL

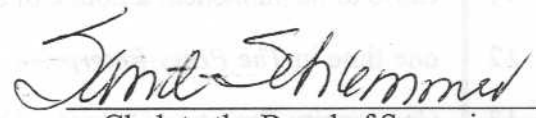
AUG 14 2006

BY 

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. 2006-305 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 Jim Schlemmer, Deputy
14 Clerk to the Board of Supervisors of the
15 County of Riverside
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1 STATE OF CALIFORNIA)
2 COUNTY OF RIVERSIDE) ss.

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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. 2006-305 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