

2
3 **RESOLUTION NO. F2008-06**

4 **RESOLUTION OF THE BOARD OF SUPERVISORS OF**
5 **RIVERSIDE COUNTY FLOOD CONTROL AND WATER**
6 **CONSERVATION DISTRICT ESTABLISHING**
7 **COMMUNITY FACILITIES DISTRICT NO. F05-1**
8 **(HOMELAND/ROMOLAND) OF RIVERSIDE COUNTY**
9 **FLOOD CONTROL AND WATER CONSERVATION**
10 **DISTRICT, AND ESTABLISHING THE BOUNDARIES**
11 **THEREOF**

12 **WHEREAS**, the Board of Supervisors (the "Board of Supervisors") of Riverside
13 County Flood Control and Water Conservation District (the "District") has heretofore adopted
14 Resolution No. F2007-29 stating that a proposed community facilities district to be known as
15 "Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood
16 Control and Water Conservation District, County of Riverside, State of California" (the
17 "Community Facilities District"), is proposed to be established pursuant to Chapter 2.5
18 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government
19 Code, commonly known as the "Mello-Roos Community Facilities Act of 1982" (the "Act"), and
20 fixing the time and place for a public hearing on the formation of the Community Facilities
21 District; and

22 **WHEREAS**, the Community Facilities District is proposed to be formed for the
23 purposes of (a) designing, constructing, acquiring, and financing through the sale of bonds the
24 design, construction, and acquisition of certain flood control and storm water drainage facilities in
25 the Line A Watershed of the Homeland/Romoland Area Drainage Plan of the District (the "Flood
26 Control Facilities"), as described in the agreement entitled "Infrastructure Funding, Acquisition
27 and Reimbursement Agreement," dated as of May 23, 2006, between the District and
28 Homeland/Romoland ADP, Inc. (the "Funding and Acquisition Agreement") and certain public
road and bridge facilities of the County of Riverside (the "County Facilities") and the City of
Perris (the "City Facilities") as described in the Resolution of Intention; and

1 **WHEREAS**, the Board of Supervisors has approved a joint community facilities
2 agreement to be entered into among the District, the County, and the City pursuant to Sections
3 53316.2, 53316.4 and 53316.6 of the California Government Code which provides for the
4 financing of the County Facilities and the City Facilities with the proceeds of the issuance and
5 sale of the bonds of the Community Facilities District; and

6 **WHEREAS**, the Board of Supervisors of the County has also approved such joint
7 community facilities agreement and has found that such agreement will be beneficial to the
8 residents of the County and the Community Facilities District; and

9 **WHEREAS**, the City Council of the City has also approved such joint community
10 facilities agreement and has found that such agreement will be beneficial to the residents of the
11 City and the Community Facilities District; and

12 **WHEREAS**, notice was published and mailed to the owners of property in the
13 Community Facilities District as required by law relative to the intention of the Board of
14 Supervisors to establish the Community Facilities District, the levy of special taxes therein, the
15 provision of public facilities therein and the incurring of a bonded indebtedness by the
16 Community Facilities District, and of the time and place of the public hearing; and

17 **WHEREAS**, on January 29, 2008, at the time and place specified in the published
18 and mailed notices, the Board of Supervisors held a public hearing as required by law relative to
19 the formation of the Community Facilities District, the levy of special taxes therein, the provision
20 of public facilities therein, and the incurring of a bonded indebtedness by the Community
21 Facilities District; and

22 **WHEREAS**, prior to the commencement of the hearing there was filed with the
23 Board of Supervisors a report (the "Report") containing a description of the public facilities
24 required to meet the needs of the Community Facilities District, and an estimate of the cost of
25 such facilities, as required by Section 53321.5 of the California Government Code; and

26 **WHEREAS**, at the public hearing all persons desiring to be heard on all matters
27 pertaining to the formation of the Community Facilities District, the levy of the special taxes, the
28 provision of public facilities, and the incurring of bonded indebtedness by the Community

1 Facilities District were heard, and a full and fair hearing was held; and

2 **WHEREAS**, at the public hearing evidence was presented to the Board of
3 Supervisors on the matters before it, and the Board of Supervisors at the conclusion of the hearing
4 was fully advised as to all matters relating to the formation of the Community Facilities District,
5 the levy of the special taxes, the provision of public facilities, and the incurring of bonded
6 indebtedness by the Community Facilities District; and

7 **WHEREAS**, the Board of Supervisors may, therefore, proceed to establish the
8 Community Facilities District;

9 **NOW, THEREFORE, BE IT RESOLVED, FOUND AND ORDERED BY**
10 **THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND**
11 **WATER CONSERVATION DISTRICT AS FOLLOWS:**

12 **Section 1. Findings.** The Board of Supervisors finds as follows:

- 13 (a) All of the preceding recitals are true and correct;
- 14 (b) On December 18, 2007, the Board of Supervisors adopted Resolution No.
15 F2007-30 which, pursuant to Section 53350 of the California Government Code, designated
16 separate improvement areas for the separate portions of the property to be included within the
17 boundaries of the Community Facilities District (*i.e.*, Improvement Area No. 1, Improvement
18 Area No. 2, and Improvement Area No. 3 - the "Improvement Areas") so that each such portion
19 of the property will be responsible only for the payment of special taxes which will be levied for
20 the payment of principal of and interest on the bonds of the Community Facilities District which
21 will be issued and sold to provide the District Facilities, the County Facilities, and the City
22 Facilities for such portion of the property;

- 23 (c) On January 29, 2008, pursuant to notice thereof duly given as provided by
24 law, the Board of Supervisors conducted a public hearing with respect to the formation of the
25 Community Facilities District, the incurring of a bonded indebtedness by the Community
26 Facilities District, the annual levying of specified special taxes on the taxable property within the
27 Improvement Areas to pay principal of and interest on bonds to be issued by and for the
28 Community Facilities District to finance the public facilities which are described in Section 3

1 hereof and to pay or accumulate funds for paying the costs of such public facilities;

2 (d) The boundary map of the Community Facilities District was recorded on
3 January 8, 2008, pursuant to Sections 3111 and 3113 of the California Streets and Highways
4 Code, in Book 72 of Maps of Assessment and Community Facilities Districts at pages 69 through
5 72, and as Instrument No. 2008-0009638, in the official records of the County of Riverside;

6 (e) All prior proceedings with respect to the formation of the Community
7 Facilities District prior to and during the hearing with respect to the formation of the Community
8 Facilities District which was conducted by the Board of Supervisors on January 29, 2008, were
9 valid and in conformity with the requirements of the Act;

10 (f) No written protests were received at or prior to the time of the hearing
11 against the formation of the Community Facilities District, or the levying of the special taxes, or
12 the incurring of bonded indebtedness by the Community Facilities District, or the furnishing of
13 specified types of public facilities, and the special taxes and the facilities have not, therefore, been
14 eliminated by majority protest pursuant to Section 53324 of the California Government Code;

15 (g) The Board of Supervisors is, therefore, authorized to adopt a resolution of
16 formation pursuant to Section 53325.1 of the California Government Code for the formation of
17 Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood
18 Control and Water Conservation District, County of Riverside, State of California, and the
19 Community Facilities District should be established; and

20 (h) Twelve persons have not been registered to vote within the territory of the
21 Community Facilities District for each of the 90 days preceding the close of the public hearing on
22 January 29, 2008; and, pursuant to Section 53326 of the California Government Code, the vote in
23 the special elections provided for in Section 11 hereof shall be by the landowners of the
24 Community Facilities District and the Improvement Areas whose property would be subject to the
25 special taxes if they were levied at the time of the election, and each landowner shall have one
26 vote for each acre, or portion thereof, which he or she owns within the Community Facilities
27 District and the Improvement Areas which would be subject to the proposed special taxes if they
28 were levied at the time of the election.

1 **Section 2. Formation of District.** Community Facilities District No. F05-1
2 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District,
3 County of Riverside, State of California, is hereby established. The boundaries of the
4 Community Facilities District are shown and described on the map entitled "Boundaries of
5 Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood
6 Control and Water Conservation District, County of Riverside, State of California" which is on
7 file with the Clerk of the Board of Supervisors (the "Clerk"), and those boundaries are hereby
8 established.

9 **Section 3. Types of Facilities; Incidental Expenses.**

10 (a) The types of public facilities to be provided for and financed by the
11 Community Facilities District are:

12 (1) Flood Control Facilities. Flood control and storm water drainage
13 facilities, including, but not limited to, the facilities that are identified in Exhibit "B" to the
14 Funding and Acquisition Agreement;

15 (2) County Facilities. Public road and bridge facilities of the County;
16 and

17 (3) City Facilities. Public road and bridge facilities of the City.

18 (b) The incidental expenses which will be incurred are: (i) the cost of planning
19 and designing the Flood Control Facilities, the County Facilities, and the City Facilities and the
20 cost of environmental evaluations thereof, (ii) all costs associated with the formation of the
21 Community Facilities District, the issuance of the bonds thereof, the determination of the amount
22 of and collection of special taxes, the payment of special taxes, and costs otherwise incurred in
23 order to carry out the authorized purposes of the Community Facilities District, and (iii) any other
24 expenses incidental to the construction, completion, and inspection of the Flood Control
25 Facilities, the County Facilities, and the City Facilities.

26 **Section 4. Special Taxes.** Except where funds are otherwise available, special
27 taxes sufficient to pay for the Flood Control Facilities, the County Facilities, and the City
28 Facilities and to pay the principal of and interest on the bonds of the Community Facilities

1 District and the annual administrative expenses of the District and the Community Facilities
2 District in determining, apportioning, levying and collecting such special taxes, and in paying the
3 principal of and interest on such bonds and the costs of registering, exchanging, and transferring
4 such bonds, secured by the recordation of a continuing lien against all taxable or nonexempt
5 property in the Community Facilities District, shall be annually levied within the Community
6 Facilities District.

7 Parcels of taxable property in the portions of the Community Facilities District
8 which have been designated as Improvement Area No. 1, Improvement Area No. 2, and
9 Improvement Area No. 3 pursuant to Section 53350 of the California Government Code shall be
10 subject to the annual levy of special taxes to pay the principal of and interest on the bonds of the
11 Community Facilities District which may be issued and sold to finance the Flood Control
12 Facilities, the County Facilities, and the City Facilities for each such Improvement Area and such
13 other expenses and costs.

14 The rates and method of apportionment of special taxes to be levied on parcels of
15 taxable property in each Improvement Area (i) to pay the principal of and interest of the bonds of
16 the Community Facilities District which may be issued and sold to finance the design,
17 construction, and acquisition of the Flood Control Facilities, the County Facilities, and the City
18 Facilities for each Improvement Area, and (ii) to pay the costs of the Flood Control Facilities and
19 to accumulate funds therefor, shall be as set forth in Exhibit "A," Exhibit "B," and Exhibit "C"
20 attached hereto.

21 The maximum amounts of special taxes which may be levied in any year on
22 parcels within the Community Facilities District which are used for private residential purposes
23 ("Residential Parcels") are specified in dollar amounts in Exhibit "A," Exhibit "B," and Exhibit
24 "C" hereto. Special taxes shall not be levied on any Residential Parcels to pay the principal of
25 and interest on outstanding bonds of the Community Facilities District after the tax or fiscal year
26 beginning on July 1, 2045 and ending on June 30, 2046, and that fiscal year shall be the last tax
27 year in which special taxes shall be levied on Residential Parcels for such purpose. Under no
28 circumstance shall the special taxes levied on any Residential Parcel be increased as a

1 consequence of delinquency or default by the owner of any other parcel or parcels within the
2 Community Facilities District by more than 10 percent above the amount of the special tax that
3 would have been levied had there never been any such delinquency or default.

4 The conditions under which the obligation to pay the special taxes may be prepaid
5 and permanently satisfied are as set forth in Exhibit "A," Exhibit "B," and Exhibit "C" hereto.

6 Pursuant to Section 53340 of the California Government Code, said special taxes
7 shall be collected in the same manner as ordinary ad valorem property taxes are collected and
8 shall be subject to the same penalties and the same procedure, sale, and lien priority in case of
9 delinquency as is provided for ad valorem taxes.

10 Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the
11 California Streets and Highways Code, a continuing lien to secure each levy of the special taxes
12 shall attach to all non-exempt real property in the Community Facilities District and that lien shall
13 continue in force and effect until the special tax obligation is prepaid and permanently satisfied
14 and the lien canceled in accordance with law or until collection of the special taxes ceases. The
15 General Manager-Chief Engineer of the District, 1995 Market Street, Riverside, California 92502,
16 telephone number (951) 955-1200, is designated as the officer responsible for preparing annually
17 a current roll of special tax levy obligations by assessor's parcel numbers, and for estimating
18 future special tax levies pursuant to Section 53340.1 of the California Government Code.

19 **Section 5. Exempt Property.** Pursuant to Section 53340 of the California
20 Government Code and except as provided in Section 53317.3 of said Code, properties of entities
21 of the state, federal, and local governments shall be exempt from the levy of special taxes for the
22 payment of the principal of and interest on the bonds of the Community Facilities District.

23 **Section 6. Necessity.** The Flood Control Facilities, the County Facilities, and the
24 City Facilities are necessary to meet increased demands placed upon the District as a result of
25 new development occurring within the boundaries of the Community Facilities District.

26 **Section 7. Improvement Areas and Bonded Indebtedness.** The Board of
27 Supervisors has designated and hereby designates Improvement Area No. 1, Improvement Area
28 No. 2, and Improvement Area No. 3 of Community Facilities District No. F05-1

1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District,
2 County of Riverside, State of California (the "Improvement Areas"). The boundaries of the
3 Improvement Areas are described and shown on the map of the boundaries of the Community
4 Facilities District which is on file with the Clerk.

5 The portions of the \$100,000,000 bonded indebtedness of the Community
6 Facilities District which are allocated to the financing of the Flood Control Facilities, the County
7 Facilities, and the City Facilities for the Improvement Areas are as follows:

8	Improvement Area No. 1	\$47,000,000
9	Improvement Area No. 2	\$39,000,000
10	Improvement Area No. 3	\$14,000,000

11 Pursuant to Section 53350 of the California Government Code, all proceedings for
12 purposes of a bond election with respect to the portion of the bonded indebtedness allocated
13 above to each Improvement Area and for the purpose of levying special taxes for the payment of
14 the principal of and interest on the bonds which may be issued and sold to represent such bonded
15 indebtedness and to finance the design, construction, and acquisition of the Flood Control
16 Facilities, the County Facilities, and the City Facilities for each Improvement Area shall apply
17 only to the Improvement Area.

18 **Section 8. Report.** The Report is hereby approved and is made a part of the
19 record of the public hearing regarding the formation of the Community Facilities District, and is
20 ordered to be kept on file with the Clerk as part of the transcript of these proceedings.

21 **Section 9. Repayment of Funds Advanced or Work-in-Kind.** Pursuant to
22 Section 53314.9 of the California Government Code, the Board of Supervisors proposes to accept
23 advances of funds or work-in-kind from private persons or private entities and to provide, by
24 resolution, for the use of those funds or that work-in-kind for any authorized purpose, including
25 but not limited to, paying any costs incurred by the District in creating the Community Facilities
26 District, and to enter into agreements, by resolution, with the persons or entities advancing the
27 funds or work-in-kind to repay funds advanced, or to reimburse the persons or entities for the
28 value, or cost, whichever is less, of the work-in-kind, as determined by the Board of Supervisors.

1 **Section 10. Prohibition of Owner Contracts.** Pursuant to Section 53329.5 of
2 the California Government Code, the Board of Supervisors finds that the public interest will not
3 be served by allowing the owners of property within the Community Facilities District to enter
4 into a contract in accordance with subdivision (a) of that section, and that such owners shall not
5 be permitted to elect to perform the work and enter into a written contract with the Board of
6 Supervisors for the construction of the Flood Control Facilities, the County Facilities, or the City
7 Facilities pursuant to said Section 53329.5.

8 **Section 11. Description of Voting Procedures.** The voting procedures to be
9 followed by the Clerk in conducting the consolidated special elections on (i) the proposition with
10 respect to the Community Facilities District incurring bonded indebtedness in an amount not to
11 exceed \$100,000,000, (ii) the propositions with respect to the Community Facilities District
12 incurring portions of such bonded indebtedness for the Improvement Areas; (iii) the propositions
13 with respect to the levy of special taxes on taxable property within the Improvement Areas to pay
14 the principal of and interest on the bonds of the Community Facilities District which may be
15 issued and sold to finance the design, construction, and acquisition of the public facilities, or to
16 pay or accumulate funds for paying the costs of the design, construction, and acquisition of the
17 public facilities, and (iv) the proposition with respect to establishing an appropriations limit for
18 the Community Facilities District in the amount of \$10,000,000 shall be as follows:

19 (a) The consolidated special elections shall be held on the earliest date,
20 following the adoption by the Board of Supervisors of this resolution, the resolution determining
21 the necessity for the Community Facilities District to incur a bonded indebtedness pursuant to
22 Section 53351 of the California Government Code, and a resolution pursuant to Section 53326 of
23 said Code submitting the propositions with respect to (i) the levy of special taxes to pay the
24 principal of and interest on the bonds of the Community Facilities District, or to pay or
25 accumulate funds for paying the costs of the design, construction, and acquisition of public
26 facilities, and (ii) establishing an appropriations limit for the Community Facilities District to the
27 qualified electors of the Improvement Areas, upon which such elections can be held pursuant to
28 said Section 53326 which may be selected by the Board of Supervisors, or such earlier date as the

1 owners of land within the Improvement Areas and the Clerk agree and concur is acceptable.

2 (b) Pursuant to said Section 53326, the consolidated special elections may be
3 held earlier then 90 days following the close of the public hearing if the qualified electors of the
4 Improvement Areas waive the time limits for conducting the elections set forth in said Section
5 53326 by unanimous written consent and the Clerk concurs in such earlier election date as shall
6 be consented to by the qualified electors.

7 (c) Pursuant to said Section 53326, ballots for the consolidated special
8 elections shall be delivered to the qualified electors by the Clerk by mail with return postage
9 prepaid, or by personal service.

10 (d) Pursuant to applicable sections of the California Elections Code governing
11 the conduct of mail ballot elections of counties, and specifically Division 4 (commencing with
12 Section 4000) of the California Elections Code with respect to elections conducted by mail, the
13 Clerk shall mail or deliver to each qualified elector an official ballot in a form specified by the
14 Board of Supervisors in the resolutions calling and consolidating the consolidated special
15 elections, and shall also mail or deliver to all such qualified electors a ballot pamphlet and
16 instructions to voter, including a sample ballot identical in form to the official ballot but identified
17 as a sample ballot, a statement pursuant to Section 9401 of said Code, an impartial analysis by the
18 County Counsel of the County of Riverside, pursuant to Section 9160 of said Code, with respect
19 to the ballot propositions contained in the official ballots, arguments and rebuttals, if any,
20 pursuant to Sections 9162 to 9167, inclusive, of said Code, a return identification envelope with
21 prepaid postage thereon addressed to the Clerk for return of the voted official ballots, and a copy
22 of this resolution; provided, however, that such statement, analysis and arguments may be waived
23 with the unanimous consent of all the landowners, and in such event a finding regarding such
24 waivers shall be made in the resolution adopted by the Board of Supervisors calling the
25 consolidated special elections.

26 (e) The official ballot to be mailed or delivered by the Clerk to each
27 landowner-voter shall have printed or typed thereon the name of the landowner-voter and the
28 number of votes to be voted by the landowner-voter and shall have appended to it a certification

1 to be signed by the person voting the official ballot which shall certify that the person signing the
2 certification is the person who voted the official ballot, and if the landowner-voter is other than a
3 natural person, that he or she is an officer of or other person affiliated with the landowner-voter
4 entitled to vote such official ballot, that he or she has been authorized to vote such official ballot
5 on behalf of the landowner-voter, that in voting such official ballot it was his or her intent, as well
6 as the intent of the landowner-voter, to vote all votes to which the landowner-voter is entitled
7 based on its land ownership on the propositions set forth in the official ballot as marked thereon
8 in the voting square opposite each such proposition, and further certifying as to the acreage of the
9 landowner-voter's land ownership within the Improvement Areas.

10 (f) The return identification envelope mailed or delivered by the Clerk to each
11 landowner-voter shall have printed or typed thereon the following: (i) the name of the landowner,
12 (ii) the address of the landowner, (iii) a declaration under penalty of perjury stating that the voter
13 is the landowner or the authorized representative of the landowner entitled to vote the enclosed
14 ballot and is the person whose name appears on the identification envelope, (iv) the printed name
15 and signature of the voter, (v) the address of the voter, (vi) the date of signing and place of
16 execution of said declaration, and (vii) a notice that the envelope contains an official ballot and is
17 to be opened only by the Clerk.

18 (g) The instruction to voter form to be mailed or delivered by the Clerk to the
19 landowner-voters shall inform them that the official ballots shall be returned to the Clerk properly
20 voted as provided thereon and with the certification appended thereto properly completed and
21 signed in the sealed return identification envelope with the certification thereon completed and
22 signed and all other information to be inserted thereon properly inserted by the time on the date of
23 the election specified by the Board of Supervisors in the resolution calling the special election;
24 provided that the election shall be closed before such hour if the Clerk determines that all of the
25 qualified voters have voted.

26 (h) Upon receipt of the return identification envelopes which are returned prior
27 to the voting deadline on the date of the elections, the Clerk shall canvass the votes cast in the
28 consolidated special elections, and shall file a statement with the Board of Supervisors as to the

1 results of such canvass and the election on each proposition set forth in the official ballot.

2 The procedures set forth in this section for conducting the consolidated special
3 elections may be modified as the Board of Supervisors may determine to be necessary or
4 desirable by a resolution subsequently adopted by the Board of Supervisors.

5 **Section 12. Environmental Review.** The Board of Supervisors finds (i) that
6 potential environmental effects of the construction and operation of the Flood Control Facilities,
7 the County Facilities, and the City Facilities (the "Facilities") that are proposed to be provided by
8 the Community Facilities District, as described in Section 3 hereof, were fully studied in Final
9 Environmental Impact Report (FEIR) State Clearinghouse No. 2003111131 (November 2005);
10 (ii) the Board of Supervisors certified FEIR State Clearinghouse No. 2003111131 and adopted a
11 Mitigation Monitoring and Reporting Program on March 28, 2006; (iii) formation of the
12 Community Facilities District and construction and operation of the Facilities will not result in
13 any new significant environmental effects not identified in FEIR State Clearinghouse No.
14 2003111131, nor will the construction or operation of the Facilities substantially increase the
15 severity of the environmental effects identified in FEIR State Clearinghouse No. 2003111131;
16 (iv) no considerably different mitigation measures have been identified and no mitigation
17 measures found infeasible have become feasible; and (v) the Board of Supervisors has fully
18 complied with the California Environmental Quality Act and no further environmental
19 documentation is required to form the Community Facilities District.

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ADOPTED this 29th day of January, 2008.

AYES:

NOES:

ABSENT:

ABSTAINED:

Chairman of the Board of Supervisors

ATTEST:

Nancy Romero,
Clerk of the Board of Supervisors

By: _____
Deputy

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1 **CLERK'S CERTIFICATE**

2 I, _____, Deputy Clerk of the Board of Supervisors of Riverside
3 County Flood Control and Water Conservation District, certify that the preceding resolution is a
4 full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of
5 Supervisors duly and regularly and legally held at the regular meeting place thereof on January
6 29, 2008, of which all of the members of the Board of Supervisors had appropriate notice, and at
7 which a quorum was at all times present.

8 I have compared the preceding resolution with the original minutes of said meeting on file
9 and of record in the office of the Clerk to the Board of Supervisors and the preceding resolution is
10 a full, true and correct copy of the original resolution adopted at said meeting and entered in said
11 minutes.

12 Said resolution has not been amended, modified or rescinded since the date of its
13 adoption, and it is now in full force and effect.

14 Dated:

15 _____
16 Deputy Clerk of the Board of Supervisors

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EXHIBIT "A"

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT (IMPROVEMENT AREA NO. 1)

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 1 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor's Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor's Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

"Administrator" means General Manager-Chief Engineer of the District, or his or her designee.

"Approved Property" means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel Map" means an official map of the Assessor of the County of Riverside designating parcels by Assessor's Parcel number.

“Assigned Special Tax” means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1 and Zone 2 as shown in Table 1 and Table 2, respectively, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 3 pursuant to the last paragraph of Section C.1.a.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1 and Zone 2, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1 and Table 2, respectively.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside.

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“Dwelling Unit” or “DU” means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 1 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zone 1 and Zone 2, any of the land use categories listed in Table 1 and Table 2, respectively.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such

Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

"Public Property" means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

"Residential Floor Area" means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

"Residential Property" means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

"Single Family Attached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

"Single Family Detached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

"Single Family Property" means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

"Special Tax(es)" means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property.

"Special Tax Requirement" means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners' Association Property, or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

“Taxable Property” means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association Property.

“Zone” means Zone 1, Zone 2, or Zone 3.

“Zone 1” means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

“Zone 2” means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

“Zone 3” means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel. Parcels of Residential Property in Zone 2 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 2 based on the Residential Floor Area of the Dwelling Units on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1 or Zone 2 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property in Zone 1 or Zone 2 shall be the Assigned Special Tax described in Table 1 or Table 2, as applicable.

The Maximum Special Tax for each Parcel of Developed Property in Zone 3 shall be the greater of: (i) the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 2 are shown in Table 2.

TABLE 1
Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,575 sq. ft.	\$2,243
B – Single Family Property	D/U	3,301 sq. ft. to 3,575 sq. ft.	\$2,152
C – Single Family Property	D/U	3,026 sq. ft. to 3,300 sq. ft.	\$2,000
D – Single Family Property	D/U	2,751 sq. ft. to 3,025 sq. ft.	\$1,939
E – Single Family Property	D/U	2,476 sq. ft. to 2,750 sq. ft.	\$1,817
F – Single Family Property	D/U	2,201 sq. ft. to 2,475 sq. ft.	\$1,744
G – Single Family Property	D/U	1,926 sq. ft. to 2,200 sq. ft.	\$1,665
H – Single Family Property	D/U	1,651 sq. ft. to 1,925 sq. ft.	\$1,574
I – Single Family Property	D/U	Less than or equal to 1,650 sq. ft.	\$1,483
J – Multifamily Residential Property	Acre	N/A	\$10,994
K – Non-Residential Property	Acre	N/A	\$10,994

TABLE 2Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 2

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 2,750 sq. ft.	\$2,573
B – Single Family Property	D/U	2,551 sq. ft. to 2,750 sq. ft.	\$2,467
C – Single Family Property	D/U	2,351 sq. ft. to 2,550 sq. ft.	\$2,327
D – Single Family Property	D/U	2,151 sq. ft. to 2,350 sq. ft.	\$2,169
E – Single Family Property	D/U	1,951 sq. ft. to 2,150 sq. ft.	\$2,063
F – Single Family Property	D/U	1,751 sq. ft. to 1,950 sq. ft.	\$1,922
G – Single Family Property	D/U	1,551 sq. ft. to 1,750 sq. ft.	\$1,817
H – Single Family Property	D/U	Less than or equal to 1,550 sq. ft.	\$1,711
I – Single Family Property (Attached)	D/U	Greater than 2,000 sq. ft.	\$1,799
J – Single Family Property (Attached)	D/U	1,751 sq. ft. to 2,000 sq. ft.	\$1,694
K – Single Family Property (Attached)	D/U	Less than or equal to 1,750 sq. ft.	\$1,588
L – Multifamily Residential Property	Acre	N/A	\$14,612
M – Non-Residential Property	Acre	N/A	\$14,612

Zone 3

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 3 shall be \$33,593 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 3 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$33,593) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 3 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 3.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, or Zone 3, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, or Zone 3 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$12,935 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$17,190 per Acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$39,522 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, or Zone 3 that is not Exempt Property shall be the amount determined by multiplying the Acreage of each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, or Zone 3, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 83.64 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 83.64 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 83.64 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The

Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$27,103,539 expressed in 2008 dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

"Special Tax Obligation" means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property that is not Exempt Property. The Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.
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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").

8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the investment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate funds or accounts as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation for a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. Partial prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage $(1.00 - F)$ of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

EXHIBIT "B"

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT (IMPROVEMENT AREA NO. 2)

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 2 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor's Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor's Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

"Administrator" means General Manager-Chief Engineer of the District, or his or her designee.

"Approved Property" means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel Map" means an official map of the Assessor of the County of Riverside designating parcels by Assessor's Parcel number

“Assigned Special Tax” means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1 as shown in Table 1, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 2, Zone 3, and Zone 4 pursuant to the second, third, and fourth paragraphs of Section C.1.a, respectively.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside.

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“Dwelling Unit” or “DU” means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 2 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zone 1, any of the land use categories listed in Table 1.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such

Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

"Public Property" means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

"Residential Floor Area" means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

"Residential Property" means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

"Single Family Attached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

"Single Family Detached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

"Single Family Property" means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

"Special Tax(es)" means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property.

"Special Tax Requirement" means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners' Association Property or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

“Taxable Property” means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association Property.

“Zone” means Zone 1, Zone 2, Zone 3, or Zone 4.

“Zone 1” means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

“Zone 2” means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

“Zone 3” means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

“Zone 4” means the specific area identified on the boundary map for the CFD as Tax Zone 4 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property in Zone 1 shall be the Assigned Special Tax described in Table 1.

The Maximum Special Tax for each Parcel of Developed Property in Zone 2, Zone 3, or Zone 4 shall be the greater of the applicable: (i) Assigned Special Tax or (ii) amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

Zone 1

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1.

TABLE 1

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,100 sq. ft.	\$1,709
B – Single Family Property	D/U	2,776 sq. ft. to 3,100 sq. ft.	\$1,652
C – Single Family Property	D/U	2,451 sq. ft. to 2,775 sq. ft.	\$1,599
D – Single Family Property	D/U	2,126 sq. ft. to 2,450 sq. ft.	\$1,519
E – Single Family Property	D/U	1,801 sq. ft. to 2,125 sq. ft.	\$1,462
F – Single Family Property	D/U	1,476 sq. ft. to 1,800 sq. ft.	\$1,310
G – Single Family Property	D/U	Less than or equal to 1,475 sq. ft.	\$1,234
H – Multifamily Residential Property	Acre	N/A	\$7,470
I – Non-Residential Property	Acre	N/A	\$7,470

Zone 2

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 2 shall be \$8,150 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 2 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$8,150) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 2 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 2.

Zone 3

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 3 shall be \$7,757 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 3 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$7,757) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 3 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 3.

Zone 4

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 4 shall be \$7,686 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 4 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$7,686) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 4 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 4.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, Zone 3, or Zone 4, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, Zone 3, or Zone 4 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$8,788 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$9,589 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$9,126 per acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 4 shall be \$9,043 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, Zone 3, or Zone 4 that is not Exempt Property shall be the amount determined by multiplying the Acreage of each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, Zone 3, or Zone 4, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 33.93 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable

Property within Zone 2 to less than 33.93 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 33.93 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

4. Zone 4

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$22,732,675 expressed in 2008 dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

"Special Tax Obligation" means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property that is not Exempt Property. The

Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.
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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").

6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate funds or accounts as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation for a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within 30 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. Partial prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage $(1.00 - F)$ of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

EXHIBIT "C"

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT (IMPROVEMENT AREA NO. 3)

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 3 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor's Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor's Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

"Administrator" means General Manager-Chief Engineer of the District, or his or her designee.

"Approved Property" means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel Map" means an official map of the Assessor of the County of Riverside designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1, Zone 2,

and Zone 3 as shown in Table 1, Table 2 and Table 3, respectively, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 4 pursuant to the last paragraph of Section C.1.a.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1, Zone 2, and Zone 3, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1, Table 2, and Table 3, respectively.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“Dwelling Unit” or **“DU”** means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 3 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zones 1, 2, and 3, any of the land use categories listed in Table 1, Table 2, and Table 3, respectively.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the

ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

"Public Property" means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

"Residential Floor Area" means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

"Residential Property" means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

"Single Family Attached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

"Single Family Detached Property" means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

"Single Family Property" means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

"Special Tax(es)" means the special tax to be levied in each Fiscal Year on each Parcel of Taxable Property.

"Special Tax Requirement" means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners' Association Property, or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

“Taxable Property” means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association Property.

“Zone” means Zone 1, Zone 2, Zone 3, or Zone 4.

“Zone 1” means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

“Zone 2” means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

“Zone 3” means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

“Zone 4” means the specific area identified on the boundary map for the CFD as Tax Zone 4 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel. Parcels of Residential Property in Zone 2 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 2 based on the Residential Floor Area of the Dwelling Units on the Parcel. Parcels of Residential Property in Zone 3 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 3 based on the Residential Floor Area of the Dwelling Units on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1, Zone 2, or Zone 3 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property shall be the Assigned Special Tax described in Table 1, Table 2, or Table 3 as applicable.

The Maximum Special Tax for each Parcel of Developed Property in Zone 4 shall be the greater of the applicable: (i) Assigned Special Tax or (ii) amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 2 are shown in Table 2. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 3 are shown in Table 3.

TABLE 1

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 2,200 sq. ft.	\$650
B – Single Family Property	D/U	1,951 sq. ft. to 2,200 sq. ft.	\$622
C – Single Family Property	D/U	1,701 sq. ft. to 1,950 sq. ft.	\$573
D – Single Family Property	D/U	Less than or equal to 1,700 sq. ft.	\$544
E – Multifamily Residential Property	Acre	N/A	\$8,950
F – Non-Residential Property	Acre	N/A	\$8,950

TABLE 2

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 2

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,100 sq. ft.	\$1,504
B – Single Family Property	D/U	2,801 sq. ft. to 3,100 sq. ft.	\$1,429
C – Single Family Property	D/U	2,501 sq. ft. to 2,800 sq. ft.	\$1,354
D – Single Family Property	D/U	2,201 sq. ft. to 2,500 sq. ft.	\$1,279
E – Single Family Property	D/U	1,901 sq. ft. to 2,200 sq. ft.	\$1,203
F – Single Family Property	D/U	Less than or equal to 1,900 sq. ft.	\$1,128
G – Multifamily Residential Property	Acre	N/A	\$10,787
H – Non-Residential Property	Acre	N/A	\$10,787

TABLE 3

**Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 3**

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,200 sq. ft.	\$1,760
B – Single Family Property	D/U	2,901 sq. ft. to 3,200 sq. ft.	\$1,685
C – Single Family Property	D/U	2,601 sq. ft. to 2,900 sq. ft.	\$1,610
D – Single Family Property	D/U	2,301 sq. ft. to 2,600 sq. ft.	\$1,535
E – Single Family Property	D/U	2,001 sq. ft. to 2,300 sq. ft.	\$1,460
F – Single Family Property	D/U	Less than or equal to 2,000 sq. ft.	\$1,386
G – Multifamily Residential Property	Acre	N/A	\$8,384
H – Non-Residential Property	Acre	N/A	\$8,384

Zone 4

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 4 shall be \$32,124 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 4 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$32,124) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 4 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 4.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, Zone 3, or Zone 4, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar

map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, Zone 3, or Zone 4 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$10,530 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$12,692 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$9,863 per acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 4 shall be \$37,793 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, Zone 3, or Zone 4 that is not Exempt Property shall be the amount determined by multiplying the Acreage of each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, Zone 3, or Zone 4, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property,

and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

4. Zone 4

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$7,606,601 expressed in 2008dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

"Special Tax Obligation" means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property that is not Exempt Property. The

Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.
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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").

6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate funds or accounts as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the release of the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation on a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. *Partial prepayment* of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage $(1.00 - F)$ of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

RESOLUTION NO. F2008-07

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT DETERMINING THE NECESSITY FOR COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) TO INCUR A BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 FOR PROVIDING PUBLIC FACILITIES WITHIN AND FOR IMPROVEMENT AREA NO. 1, IMPROVEMENT AREA NO. 2, AND IMPROVEMENT AREA NO. 3 OF THE COMMUNITY FACILITIES DISTRICT, AND CALLING SPECIAL ELECTIONS FOR THE IMPROVEMENT AREAS ON PROPOSITIONS FOR INCURRING SUCH BONDED INDEBTEDNESS

WHEREAS, on December 18, 2007, the Board of Supervisors (the "Board of Supervisors") of Riverside County Flood Control and Water Conservation District (the "District"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, adopted Resolution No. F2007-30 declaring the necessity for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, County of Riverside, State of California (the "Community Facilities District"), to incur a bonded indebtedness for the purposes of providing public facilities which are necessary for the development of the property therein, including certain flood control and storm water drainage facilities of the District (the "Flood Control Facilities") as described in the agreement entitled "Infrastructure Funding, Acquisition and Reimbursement Agreement," dated as of May 23, 2006, between the District and Homeland/Romoland ADP, Inc. (the "Funding and Acquisition Agreement"), and scheduling a hearing thereon; and

WHEREAS, notice of the hearing was published and mailed as required by law, and on January 29, 2008, at the time and place of the hearing as set forth in Resolution No. F2007-30 and the notice thereof, the Board of Supervisors conducted the hearing and afforded all

1 persons interested, including persons owning property within the Community Facilities District,
2 an opportunity to be heard on the proposed authorization to incur bonded indebtedness, and no
3 protests were received; and

4 **WHEREAS**, pursuant to Section 53350 of the California Government Code, by
5 adoption of Resolution No. F2007-30, the Board of Supervisors designated portions of the
6 property within the Community Facilities District as Improvement Area No. 1, Improvement
7 Area No. 2, and Improvement Area No. 3 (the "Improvement Areas"), and allocated a portion of
8 the proposed bonded indebtedness of the Community Facilities District to each Improvement
9 Area, and the effect of such designation is that each such portion of the property will be
10 responsible only for the payment of special taxes which will be levied for the payment of
11 principal of and interest on the bonds of the Community Facilities District which will be issued
12 and sold to finance the Flood Control Facilities, the County Facilities (identified below), and the
13 City Facilities (identified below) for such portion of the property; and

14 **WHEREAS**, the Board of Supervisors has approved and authorized the execution
15 and delivery of a joint community facilities agreement to be entered into among the District, the
16 County of Riverside (the "County"), and the City of Perris (the "City") pursuant to Sections
17 53316.2, 53316.4 and 53316.6 of the California Government Code which provides for the
18 financing, with the proceeds of the issuance and sale of the bonds of the Community Facilities
19 District, of certain public road and bridge facilities of the County (the "County Facilities") and
20 certain road and bridge facilities of the City (the "City Facilities") which are necessary for the
21 County and the City to provide for the transportation needs of future residents of the Community
22 Facilities District; and

23 **WHEREAS**, the Board of Supervisors of the County and the City Council of the
24 City have also approved and authorized the execution and delivery of the joint community
25 facilities agreement; and

26 **WHEREAS**, on January 29, 2008, the Board of Supervisors adopted Resolution
27 No. F2008-06, the resolution of formation pursuant to Section 53325.1(a) of the California
28 Government Code, establishing the Community Facilities District; and

1 **WHEREAS**, it is necessary for the Community Facilities District to incur a
2 bonded indebtedness for the purposes of providing and financing the Flood Control Facilities, the
3 County Facilities, and the City Facilities for the Improvement Areas;

4 **NOW, THEREFORE, BE IT RESOLVED, FOUND AND ORDERED BY**
5 **THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND**
6 **WATER CONSERVATION DISTRICT AS FOLLOWS:**

7 **Section 1. Necessity.** It is necessary for the Community Facilities District to
8 incur a bonded indebtedness in an aggregate principal amount not to exceed \$100,000,000 for the
9 purposes of providing the public facilities identified in Resolution No. F2008-06 which are:

10 (a) **Flood Control Facilities.** Flood control and storm water drainage facilities,
11 including, but not limited to, the facilities that are identified in Exhibit "B" to the Funding and
12 Acquisition Agreement;

13 (b) **County Facilities.** Public road and bridge facilities of the County; and

14 (c) **City Facilities.** Public road and bridge facilities of the City.

15 **Section 2. Allocation of Bonded Indebtedness.** The portions of the proposed
16 bonded indebtedness of the Community Facilities District which are allocated by Resolution No.
17 F2007-30 to financing the Flood Control Facilities, the County Facilities, and the City Facilities
18 for each Improvement Area are as follows:

19	Improvement Area No. 1	\$47,000,000
20	Improvement Area No. 2	\$39,000,000
	Improvement Area No. 3	\$14,000,000

21 **Section 3. Payment of Bonded Indebtedness.** Pursuant to Section 53350 of
22 the California Government Code, all proceedings for purposes of a bond election with respect to
23 the portion of the bonded indebtedness allocated above to each Improvement Area and for the
24 purposes of levying special taxes for the payment of the principal of and interest on the bonds
25 which may be issued and sold to represent such bonded indebtedness and to finance the design,
26 construction, and acquisition of the Flood Control Facilities, the County Facilities, and the City
27 Facilities for each Improvement Area shall apply only to the Improvement Area.

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1 **Section 4. Amount of Debt; Terms of Bonds.** The aggregate principal
2 amount of the bonded indebtedness to be incurred by the Community Facilities District shall not
3 exceed \$100,000,000. The maximum term of the bonds shall not exceed 40 years. The
4 maximum annual rate of interest to be paid semiannually on the bonds shall not exceed 12 percent
5 per annum or such other rate as may be the maximum interest rate permitted by law.

6 **Section 5. Propositions to be Submitted to Voters.**

7 (a) The propositions to be submitted to the voters within Improvement Area
8 No. 1 of the Community Facilities District with respect to the proposed bonded indebtedness shall
9 be as follows:

10 Shall a bonded indebtedness in an aggregate principal amount not
11 to exceed \$100,000,000 be incurred by and for Community
12 Facilities District No. F05-1 (Homeland/Romoland) of Riverside
13 County Flood Control and Water Conservation District, for a
14 maximum term of not more than 40 years and with interest at a rate
15 or rates not to exceed the maximum interest rate permitted by law,
16 for the purposes of financing the design, construction, and
acquisition of flood control and storm water drainage facilities of
Riverside County Flood Control and Water Conservation District
and public road and bridge facilities of the County of Riverside and
the City of Perris and paying incidental expenses, as provided in
Resolution No. F2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

17 Shall a bonded indebtedness in an aggregate principal amount not
18 to exceed \$47,000,000 be incurred by Community Facilities District
19 No. F05-1 (Homeland/Romoland) of Riverside County Flood
20 Control and Water Conservation District, for a maximum term of
21 not more than 40 years and with interest at a rate or rates not to
22 exceed the maximum interest rate permitted by law, for the
23 purposes of financing for Improvement Area No. 1 of said
24 community facilities district the design, construction, and
25 acquisition of flood control and storm water drainage facilities of
26 Riverside County Flood Control and Water Conservation District
27 and public road and bridge facilities of the County of Riverside and
28 the City of Perris and paying incidental expenses, as provided in
Resolution No. 2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

(b) The propositions to be submitted to the voters within Improvement Area
No. 2 of the Community Facilities District with respect to the proposed bonded indebtedness shall
be as follows:

1 Shall a bonded indebtedness in an aggregate principal amount not
2 to exceed \$100,000,000 be incurred by and for Community
3 Facilities District No. F05-1 (Homeland/Romoland) of Riverside
4 County Flood Control and Water Conservation District, for a
5 maximum term of not more than 40 years and with interest at a rate
6 or rates not to exceed the maximum interest rate permitted by law,
7 for the purposes of financing the design, construction, and
8 acquisition of flood control and storm water drainage facilities of
9 Riverside County Flood Control and Water Conservation District
10 and public road and bridge facilities of the County of Riverside and
11 the City of Perris and paying incidental expenses, as provided in
12 Resolution No. F2008-06 adopted by the Board of Supervisors of
13 said flood control district on January 29, 2008?

8 Shall a bonded indebtedness in an aggregate principal amount not
9 to exceed \$39,000,000 be incurred by Community Facilities District
10 No. F05-1 (Homeland/Romoland) of Riverside County Flood
11 Control and Water Conservation District, for a maximum term of
12 not more than 40 years and with interest at a rate or rates not to
13 exceed the maximum interest rate permitted by law, for the
14 purposes of financing for Improvement Area No. 2 of said
15 community facilities district the design, construction, and
16 acquisition of flood control and storm water drainage facilities of
17 Riverside County Flood Control and Water Conservation District
18 and public road and bridge facilities of the County of Riverside and
19 the City of Perris and paying incidental expenses, as provided in
20 Resolution No. F2008-06 adopted by the Board of Supervisors of
21 said flood control district on January 29, 2008?

16 (c) The proposition to be submitted to the voters within Improvement Area
17 No. 3 of the Community Facilities District with respect to the proposed bonded indebtedness shall
18 be as follows:

19 Shall a bonded indebtedness in an aggregate principal amount not
20 to exceed \$100,000,000 be incurred by and for Community
21 Facilities District No. F05-1 (Homeland/Romoland) of Riverside
22 County Flood Control and Water Conservation District, for a
23 maximum term of not more than 40 years and with interest at a rate
24 or rates not to exceed the maximum interest rate permitted by law,
25 for the purposes of financing the design, construction, and
26 acquisition of flood control and storm water drainage facilities of
27 Riverside County Flood Control and Water Conservation District
28 and public road and bridge facilities of the County of Riverside and
the City of Perris and paying incidental expenses, as provided in
Resolution No. F2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

26 Shall a bonded indebtedness in an aggregate principal amount not
27 to exceed \$14,000,000 be incurred by Community Facilities District
28 No. F05-1 (Homeland/Romoland) of Riverside County Flood
Control and Water Conservation District, for a maximum term of
not more than 40 years and with interest at a rate or rates not to

1 exceed the maximum interest rate permitted by law, for the
2 purposes of financing for Improvement Area No. 3 of said
3 community facilities district the design, construction, and
4 acquisition of flood control and storm water drainage facilities of
5 Riverside County Flood Control and Water Conservation District
6 and public road and bridge facilities of the County of Riverside and
7 the City of Perris and paying incidental expenses, as provided in
8 Resolution No. F2008-06 adopted by the Board of Supervisors of
9 said flood control district on January 29, 2008?

6 **Section 6. Elections.** The date of the special elections with respect to the
7 incurring of the aforementioned bonded indebtedness, at which time the propositions set forth in
8 Section 5 hereof shall be submitted to the voters of the Improvement Areas is January 29, 2008,
9 and those special elections are hereby called for that date. The special elections shall be
10 consolidated with the special elections with respect to the propositions regarding (i) the levy of
11 special taxes for the payment of the principal of and interest on the bonds of the Community
12 Facilities District, or to pay or accumulate funds for paying the costs of public facilities, and (ii)
13 establishing an appropriations limit for the Community Facilities District which have also been
14 called for January 29, 2008. The consolidated special elections shall be conducted by mail ballot
15 pursuant to applicable provisions of the California Elections Code with respect to mail-ballot
16 elections of counties and specifically Division 4 (commencing with Section 4000) of that Code,
17 insofar as they may be applicable. The voted official ballots shall be returned to the Clerk of the
18 Board of Supervisors (the "Clerk") by 5:00 o'clock p.m. on the date of the elections; provided
19 that the elections shall be closed before such hour if the Clerk determines that all qualified
20 electors have voted.

21 **Section 7. Accountability Measures.** Pursuant to Section 53410 of the
22 California Government Code, if the voters approve the propositions contained in the official
23 ballots for the consolidated special elections with respect to the Community Facilities District
24 incurring bonded indebtedness for the purposes for which such indebtedness is to be incurred and
25 bonds of the Community Facilities District are to be issued (the "Bond Propositions"), the
26 incurring of such bonded indebtedness and the issuance of bonds of the Community Facilities
27 District shall be subject to the following accountability measures:

1 (a) The Bond Propositions shall identify the specific purposes for which the
2 bonds are to be issued;

3 (b) The proceeds of the bonds shall be applied only for the specific purposes
4 identified in the Bond Propositions;

5 (c) An account or accounts shall be created pursuant to the indenture or fiscal
6 agent agreement for such bonds into which the proceeds of the sale of such bonds shall be
7 deposited; and

8 (d) The Finance Director of the District shall file a report with the Board of
9 Supervisors at least once in each calendar year, beginning after the year in which the bonds are
10 issued, which shall contain the information required by Section 53411 of the California
11 Government Code.

12 The Board of Supervisors finds that the Bond Propositions which will be set forth
13 in the official ballots for the consolidated special elections, and which are set forth in Section 5
14 hereof, identify the specific purposes for which the Community Facilities District will incur
15 bonded indebtedness and issue bonds.

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1 **CLERK'S CERTIFICATE**

2 I, _____, Deputy Clerk of the Board of Supervisors of Riverside
3 County Flood Control and Water Conservation District, certify that the preceding resolution is a
4 full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of
5 Supervisors duly and regularly and legally held at the regular meeting place thereof on January
6 29, 2008, of which all of the members of the Board of Supervisors had appropriate notice, and at
7 which a quorum was at all times present.

8 I have compared the preceding resolution with the original minutes of said meeting on file
9 and of record in the office of the Clerk to the Board of Supervisors and the preceding resolution is
10 a full, true and correct copy of the original resolution adopted at said meeting and entered in said
11 minutes.

12 Said resolution has not been amended, modified or rescinded since the date of its
13 adoption, and it is now in full force and effect.

14 Dated:

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16 Deputy Clerk of the Board of Supervisors

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RESOLUTION NO F2008-08

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE FLOOD CONTROL AND WATER CONSERVATION DISTRICT CALLING SPECIAL ELECTIONS AND SUBMITTING TO THE VOTERS OF IMPROVEMENT AREA NO. 1, IMPROVEMENT AREA NO. 2, AND IMPROVEMENT AREA NO. 3 OF COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) PROPOSITIONS WITH RESPECT TO THE ANNUAL LEVY OF SPECIAL TAXES WITHIN SUCH IMPROVEMENT AREAS AND ESTABLISHING AN APPROPRIATIONS LIMIT FOR THE COMMUNITY FACILITIES DISTRICT

WHEREAS, pursuant to Section 53325.1 of the California Government Code the Board of Supervisors (the "Board of Supervisors") of Riverside County Flood Control and Water Conservation District (the "District") has adopted Resolution No. F2008-06, the resolution of formation for Community Facilities District No. F05-1 (Ho/Romoland) of Riverside County Flood Control and Water Conservation District, County of Riverside, State of California (the "Community Facilities District"), establishing the Community Facilities District and the boundaries thereof (the "Resolution of Formation"); and

WHEREAS, pursuant to Section 53351 of the California Government Code, the Board of Supervisors has also adopted Resolution No. F2008-07 determining that it is necessary that the Community Facilities District incur a bonded indebtedness in an amount not to exceed \$100,000,000 for the purposes of financing the design, construction, and acquisition of certain public facilities for the Community Facilities District and Improvement Area No. 1, Improvement Area No. 2, and Improvement Area No. 3 thereof; and

WHEREAS, by Resolution No. F2008-07, the Board of Supervisors called special elections on the propositions to be submitted to the voters of Improvement Area No. 1, Improvement Area No. 2, and Improvement Area No. 3 of the Community Facilities District (the "Improvement Areas") with respect to the Community Facilities District incurring bonded indebtedness for the purpose of financing such public facilities for the Improvement Areas; and

1 **WHEREAS**, pursuant to Sections 53326 and 53350 of the California Government
2 Code, it is necessary that the Board of Supervisors also submit to the voters of each Improvement
3 Area the proposition relating to the annual levy of special taxes on the property within the
4 Improvement Area to pay the principal of and interest on the bonds of the Community Facilities
5 District that may be issued and sold to finance the design, construction, and acquisition of the
6 public facilities for the Improvement Area, if such bonds are authorized and issued, or to pay or
7 accumulate funds for paying the costs of public facilities; and

8 **WHEREAS**, pursuant to Section 53325.7 of the California Government Code, the
9 Board of Supervisors may also submit to the voters of the Community Facilities District a
10 proposition with respect to establishing an appropriations limit for the Community Facilities
11 District;

12 **NOW, THEREFORE, BE IT RESOLVED, FOUND AND ORDERED BY**
13 **THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND**
14 **WATER CONSERVATION DISTRICT AS FOLLOWS:**

15 **Section 1.** **Findings.** The Board of Supervisors finds that: (i) the foregoing
16 recitals are true and correct; (ii) 12 persons have not been registered to vote within the territory of
17 the Community Facilities District for each of the 90 days preceding the close of the public
18 hearing on January 29, 2008; (iii) pursuant to Section 53326 of the California Government Code,
19 as a result of the findings made in clause (ii) above, the vote in the special elections called by this
20 resolution shall be by the landowners of the Improvement Areas whose property would be subject
21 to the special taxes if they were levied at the time of the election, and each landowner shall have
22 one vote for each acre, or portion thereof, which he or she owns within the Improvement Areas
23 which would be subject to the proposed special taxes if they were levied at the time of the
24 elections; (iv) the owners of the property in the Improvement Areas have by written consents (a)
25 waived the time limits set forth in Section 53326 of the California Government Code for holding
26 the elections called by this resolution and the elections on the propositions with respect the
27 Community Facilities District incurring bonded indebtedness, which pursuant to Section 4 hereof
28 are consolidated with the elections called hereby, (b) consented to the holding of the consolidated

1 special elections on January 29, 2008, (c) waived notice and mailed notice of the time and date of
2 the consolidated special elections, and (d) waived an impartial analysis by the County Counsel of
3 the County of Riverside of the ballot propositions pursuant to Section 9160 of the California
4 Elections Code and arguments and rebuttals pursuant to Sections 9162 to 9167, inclusive, of that
5 Code, and mailing of a statement pursuant to Section 9401 of that Code; and (v) the Clerk of the
6 Board of Supervisors (the "Clerk") has consented to the holding of the consolidated special
7 elections on January 29, 2008.

8 **Section 2. Call of Elections.** The Board of Supervisors hereby calls and
9 schedules special elections for January 29, 2008 within and for Improvement Area No. 1,
10 Improvement Area No. 2, and Improvement Area No. 3 on (i) the proposition with respect to the
11 annual levy of special taxes within each Improvement Area for the provision of public facilities
12 for the Improvement Area and for the payment of principal of and interest on the bonds of the
13 Community Facilities District, or to pay or accumulate funds for paying the costs of the design,
14 construction, and acquisition of such public facilities, and (ii) the proposition with respect to
15 establishing an appropriations limit for the Community Facilities District.

16 **Section 3. Propositions.**

17 (a) The propositions to be submitted to the voters of Improvement Area No. 1
18 at such special elections shall be as follows:

19 Proposition A: Shall a bonded indebtedness in an aggregate
20 principal amount not to exceed \$100,000,000 be incurred by and for
21 Community Facilities District No. F05-1 (Homeland/Romoland) of
22 Riverside County Flood Control and Water Conservation District,
23 for a maximum term of not more than 40 years and with interest at
24 a rate or rates not to exceed the maximum interest rate permitted by
25 law, for the purposes of financing the design, construction, and
26 acquisition of flood control and storm water drainage facilities of
27 Riverside County Flood Control and Water Conservation District
28 and public road and bridge facilities of the County of Riverside and
the City of Perris and paying incidental expenses, as provided in
Resolution No. F2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

Proposition B: Shall a bonded indebtedness in an aggregate
principal amount not to exceed \$47,000,000 be incurred by
Community Facilities District No. F05-1 (Homeland/Romoland) of
Riverside County Flood Control and Water Conservation District,
for a maximum term of not more than 40 years and with interest at

1 a rate or rates not to exceed the maximum interest rate permitted by
2 law, for the purposes of financing for Improvement Area No. 1 of
3 said community facilities district the design, construction, and
4 acquisition of flood control and storm water drainage facilities of
5 Riverside County Flood Control and Water Conservation District
6 and public road and bridge facilities of the County of Riverside and
7 the City of Perris and paying incidental expenses, as provided in
8 Resolution No. F2008-06 adopted by the Board of Supervisors of
9 said flood control district on January 29, 2008?

6 Proposition C: Shall special taxes be levied annually on taxable
7 property within Improvement Area No. 1 of Community Facilities
8 District No. F05-1 (Homeland/Romoland) of Riverside County
9 Flood Control and Water Conservation District to pay the principal
10 of and interest on the bonds of the community facilities district
11 which may be issued and sold to finance for said improvement area
12 the design, construction, and acquisition of the public facilities
13 described in Proposition B of this ballot, or to pay or accumulate
14 funds for paying the costs of the design, construction, and
15 acquisition of such facilities, and to pay expenses incidental thereto
16 and to the levy and collection of the special taxes, so long as the
17 special taxes are needed to pay the principal of and interest on the
18 bonds and for such other purposes, at the special tax rates and
19 pursuant to the method of apportioning the special taxes set forth in
20 Exhibit "A" to Resolution No. F2008-06 adopted by the Board of
21 Supervisors of said flood control district on January 29, 2008?

15 Proposition D: Shall an appropriations limit, as defined by
16 subdivision (h) of Section 8 of Article XIII B of the California
17 Constitution, be established for Community Facilities District No.
18 F05-1 (Homeland/Romoland) of Riverside County Flood Control
19 and Water Conservation District in the amount of \$10,000,000?

18 (b) The propositions to be submitted to the voters of Improvement Area No. 2
19 at such special elections shall be as follows:

20 Proposition A: Shall a bonded indebtedness in an aggregate
21 principal amount not to exceed \$100,000,000 be incurred by and for
22 Community Facilities District No. F05-1 (Homeland/Romoland) of
23 Riverside County Flood Control and Water Conservation District,
24 for a maximum term of not more than 40 years and with interest at
25 a rate or rates not to exceed the maximum interest rate permitted by
26 law, for the purposes of financing the design, construction, and
27 acquisition of flood control and storm water drainage facilities of
28 Riverside County Flood Control and Water Conservation District
and public road and bridge facilities of the County of Riverside and
the City of Perris and paying incidental expenses, as provided in
Resolution No. F2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

Proposition B: Shall a bonded indebtedness in an aggregate
principal amount not to exceed \$39,000,000 be incurred by
Community Facilities District No. F05-1 (Homeland/Romoland) of

1 Riverside County Flood Control and Water Conservation District,
2 for a maximum term of not more than 40 years and with interest at
3 a rate or rates not to exceed the maximum interest rate permitted by
4 law, for the purposes of financing for Improvement Area No. 2 of
5 said community facilities district the design, construction, and
6 acquisition of flood control and storm water drainage facilities of
7 Riverside County Flood Control and Water Conservation District
8 and public road and bridge facilities of the County of Riverside and
9 the City of Perris and paying incidental expenses, as provided in
10 Resolution No. F2008-06 adopted by the Board of Supervisors of
11 said flood control district on January 29, 2008?

12 Proposition C: Shall special taxes be levied annually on taxable
13 property within Improvement Area No. 2 of Community Facilities
14 District No. F05-1 (Homeland/Romoland) of Riverside County
15 Flood Control and Water Conservation District to pay the principal
16 of and interest on the bonds of the community facilities district
17 which may be issued and sold to finance for said improvement area
18 the design, construction, and acquisition of the public facilities
19 described in Proposition B of this ballot, or to pay or accumulate
20 funds for paying the costs of the design, construction, and
21 acquisition of such facilities, and to pay expenses incidental thereto
22 and to the levy and collection of the special taxes, so long as the
23 special taxes are needed to pay the principal of and interest on the
24 bonds and for such other purposes, at the special tax rates and
25 pursuant to the method of apportioning the special taxes set forth in
26 Exhibit "B" to Resolution No. F2008-06 adopted by the Board of
27 Supervisors of said flood control district on January 29, 2008?

28 Proposition D: Shall an appropriations limit, as defined by
subdivision (h) of Section 8 of Article XIII B of the California
Constitution, be established for Community Facilities District No.
F05-1 (Homeland/Romoland) of Riverside County Flood Control
and Water Conservation District in the amount of \$10,000,000?

(c) The propositions to be submitted to the voters of Improvement Area No. 3
at such special elections shall be as follows:

Proposition A: Shall a bonded indebtedness in an aggregate
principal amount not to exceed \$100,000,000 be incurred by and for
Community Facilities District No. F05-1 (Homeland/Romoland) of
Riverside County Flood Control and Water Conservation District,
for a maximum term of not more than 40 years and with interest at
a rate or rates not to exceed the maximum interest rate permitted by
law, for the purposes of financing the design, construction, and
acquisition of flood control and storm water drainage facilities of
Riverside County Flood Control and Water Conservation District
and public road and bridge facilities of the County of Riverside and
the City of Perris and paying incidental expenses, as provided in
Resolution No. F2008-06 adopted by the Board of Supervisors of
said flood control district on January 29, 2008?

1 Proposition B: Shall a bonded indebtedness in an aggregate
2 principal amount not to exceed \$14,000,000 be incurred by
3 Community Facilities District No. F05-1 (Homeland/Romoland) of
4 Riverside County Flood Control and Water Conservation District,
5 for a maximum term of not more than 40 years and with interest at
6 a rate or rates not to exceed the maximum interest rate permitted by
7 law, for the purposes of financing for Improvement Area No. 3 of
8 said community facilities district the design, construction, and
9 acquisition of flood control and storm water drainage facilities of
10 Riverside County Flood Control and Water Conservation District
11 and public road and bridge facilities of the County of Riverside and
12 the City of Perris and paying incidental expenses, as provided in
13 Resolution No. F2008-06 adopted by the Board of Supervisors of
14 said flood control district on January 29, 2008?

15 Proposition C: Shall special taxes be levied annually on taxable
16 property within Improvement Area No. 3 of Community Facilities
17 District No. F05-1 (Homeland/Romoland) of Riverside County
18 Flood Control and Water Conservation District to pay the principal
19 of and interest on the bonds of the community facilities district
20 which may be issued and sold to finance for said improvement area
21 the design, construction, and acquisition of the public facilities
22 described in Proposition B of this ballot, or to pay or accumulate
23 funds for paying the costs of the design, construction, and
24 acquisition of such facilities, and to pay expenses incidental thereto
25 and to the levy and collection of the special taxes, so long as the
26 special taxes are needed to pay the principal of and interest on the
27 bonds and for such other purposes, at the special tax rates and
28 pursuant to the method of apportioning the special taxes set forth in
 Exhibit "C" to Resolution No. F2008-06 adopted by the Board of
 Supervisors of said flood control district on January 29, 2008?

Proposition D: Shall an appropriations limit, as defined by
 subdivision (h) of Section 8 of Article XIII B of the California
 Constitution, be established for Community Facilities District No.
 F05-1 (Homeland/Romoland) of Riverside County Flood Control
 and Water Conservation District in the amount of \$10,000,000?

21 **Section 4. Consolidation of Elections.** The special elections called hereby on
22 the propositions to be submitted to the voters of the Improvement Areas, as set forth in Section 3
23 hereof, shall be consolidated with the elections on the propositions regarding the Community
24 Facilities District incurring bonded indebtedness. The ballots for said consolidated elections shall
25 be in the forms attached hereto as Exhibit "A," Exhibit "B," and Exhibit "C."

26 **Section 5. Conduct of Election.** Except as otherwise provided in Section 6
27 hereof, the consolidated special elections shall be conducted by the Clerk of the Board of
28 Supervisors (the "Clerk") in accordance with the provisions of the California Elections Code

1 governing mail ballot elections of counties, and in particular the provisions of Division 4
2 (commencing with Section 4000), of that Code, insofar as they may be applicable.

3 **Section 6. Election Procedures.** The procedures to be followed in conducting
4 the consolidated special elections on (i) the proposition with respect to the Community Facilities
5 District incurring a bonded indebtedness in an amount not to exceed \$100,000,000, (ii) the
6 propositions with respect to the Community Facilities District incurring a portion of such bonded
7 indebtedness for each Improvement Area, (iii) the propositions with respect to the levy of special
8 taxes on taxable property within each Improvement Area to pay the principal of and interest on
9 the bonds of the Community Facilities District, or to pay or accumulate funds for paying the costs
10 of public facilities, and (v) the proposition with respect to establishing an appropriations limit for
11 the Community Facilities District in the amount of \$10,000,000 (the "Consolidated Special
12 Elections") shall be as follows:

13 (a) Pursuant to Section 53326 of the California Government Code,
14 ballots for the Consolidated Special Elections shall be distributed to the qualified electors by the
15 Clerk by mail with return postage prepaid or by personal service.

16 (b) Pursuant to applicable sections of the California Elections Code
17 governing the conduct of mail ballot elections of counties, and in particular Division 4
18 (commencing with Section 4000) of that Code with respect to elections conducted by mail, the
19 Clerk shall mail or deliver to each qualified elector an official ballot in the appropriate form
20 attached hereto as Exhibit "A," Exhibit "B," or Exhibit "C" and shall also mail or deliver to all
21 such qualified electors a ballot pamphlet and instructions to voter, including a sample ballot
22 identical in form to the official ballot but identified as a sample ballot, a return identification
23 envelope with prepaid postage thereon addressed to the Clerk for the returning voted official
24 ballots, and a copy of Resolution No. F2008-06.

25 (c) The official ballot to be mailed or delivered by the Clerk to each
26 landowner-voter shall have printed or typed thereon the name of the landowner-voter and the
27 number of votes to be voted by the landowner-voter and shall have appended to it a certification
28 to be signed by the person voting the official ballot which shall certify that the person signing the

1 certification is the person who voted the official ballot, and if the landowner-voter is other than a
2 natural person, that he or she is an officer of or other person affiliated with the landowner-voter
3 entitled to vote such official ballot, that he or she has been authorized to vote such official ballot
4 on behalf of the landowner-voter, that in voting such official ballot it was his or her intent, as well
5 as the intent of the landowner-voter, to vote all votes to which the landowner-voter is entitled
6 based on its land ownership on the propositions set forth in the official ballot as marked thereon
7 in the voting square opposite each such proposition, and further certifying as to the acreage of the
8 landowner-voter's land ownership within the Improvement Areas.

9 (d) The return identification envelope to be mailed or delivered by the
10 Clerk to each landowner-voter shall have printed or typed thereon the following: (i) the name of
11 the landowner, (ii) the address of the landowner, (iii) a declaration under penalty of perjury
12 stating that the voter is the landowner or the authorized representative of the landowner entitled to
13 vote the enclosed ballot and is the person whose name appears on the identification envelope, (iv)
14 the printed name and signature of the voter, (v) the address of the voter, (vi) the date of signing
15 and place of execution of the declaration, and (vii) a notice that the envelope contains an official
16 ballot and is to be opened only by the Clerk.

17 (e) The information to voter form to be mailed or delivered by the
18 Clerk to the landowner-voters shall inform them that the official ballots shall be returned to the
19 Clerk properly voted as provided thereon and with the certification appended thereto properly
20 completed and signed in the sealed return identification envelope with the certification thereon
21 completed and signed and all other information to be inserted thereon properly inserted by 5:00
22 o'clock p.m. on the date of the Consolidated Special Elections; provided that the elections shall
23 be closed before such hour if the Clerk determines that all of the qualified voters have voted.

24 (f) Upon receipt of the return identification envelopes which are
25 returned prior to the voting deadline on the date of the Consolidated Special Elections, the Clerk
26 shall canvass the votes cast in the Consolidated Special Elections, and shall file a statement with
27 the Board of Supervisors as to the results of such canvass and the election on each proposition set
28 forth in the official ballot.

1 **Section 7. Accountability Measures.** Pursuant to Section 53410 of the
2 California Government Code, if the landowner voters approve the propositions contained in the
3 Proposition A and Proposition B of the Official Ballots for the consolidated special elections,
4 which are attached hereto as Exhibit "A," Exhibit "B," and Exhibit "C" with respect to the
5 Community Facilities District incurring bonded indebtedness for the purposes for which such
6 indebtedness is to be incurred and bonds of the Community Facilities District are to be issued (the
7 "Bond Propositions"), the incurring of such bonded indebtedness and the issuance of bonds of the
8 Community Facilities District shall be subject to the following accountability measures:

9 (a) The Bond Propositions shall identify the specific purposes for which the
10 bonds are to be issued;

11 (b) The proceeds of the bonds shall be applied only for the specific purposes
12 identified in the Bond Propositions;

13 (c) An account or accounts shall be created pursuant to the indenture or fiscal
14 agent agreement for such bonds into which the proceeds of the sale of such bonds shall be
15 deposited; and

16 (d) The Finance Director of the District shall file a report with the Board of
17 Supervisors at least once in each calendar year, beginning after the year in which the bonds are
18 issued, which shall contain the information required by Section 53411 of the California
19 Government Code.

20 The Board of Supervisors finds that the Bond Propositions, as set forth in the
21 Official Ballots attached hereto as Exhibit "A," Exhibit "B," and Exhibit "C" identify the specific
22 purposes for which the Community Facilities District will incur bonded indebtedness and issue
23 bonds.

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1 **CLERK'S CERTIFICATE**

2 I, _____, Deputy Clerk of the Board of Supervisors of Riverside
3 County Flood Control and Water Conservation District, certify that the preceding resolution is a
4 full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of
5 Supervisors duly and regularly and legally held at the regular meeting place thereof on January
6 29, 2008, of which all of the members of the Board of Supervisors had appropriate notice, and at
7 which a quorum was at all times present.

8 I have compared the preceding resolution with the original minutes of said meeting on file
9 and of record in the office of the Clerk to the Board of Supervisors and the preceding resolution is
10 a full, true and correct copy of the original resolution adopted at said meeting and entered in said
11 minutes.

12 Said resolution has not been amended, modified or rescinded since the date of its
13 adoption, and it is now in full force and effect.

14 Dated:

15 _____
16 Deputy Clerk of the Board of Supervisors

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EXHIBIT "A"

OFFICIAL BALLOT

CONSOLIDATED SPECIAL ELECTIONS FOR
IMPROVEMENT AREA NO. 1 OF
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

January 29, 2008

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

If you wrongly mark, tear, or deface this ballot, return it to the Clerk of the Board of Supervisors of Riverside County Flood Control and Water Conservation District and obtain a replacement.

PROPOSITION A: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$100,000,000 be incurred by and for Community Facilities District No. F-05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION B: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$47,000,000 be incurred by Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing for Improvement Area No. 1 of said community facilities district the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION C: Shall special taxes be levied annually on taxable property within Improvement Area No. 1 of Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District to pay the principal of and interest on the bonds of the community facilities district which may be issued and sold to finance for said improvement area the design, construction, and acquisition of the public facilities described in Proposition B of this ballot, or to pay or accumulate funds for paying the costs of the design, construction, and acquisition of such facilities, and to pay expenses incidental thereto and to the levy and collection of the special taxes, so long as the special taxes are needed to pay the principal of and interest on the bonds and for such other purposes, at the special tax rates and pursuant to the method of apportioning the special taxes set forth in Exhibit "A" to Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION D: Shall an appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, be established for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District in the amount of \$10,000,000?

YES	
NO	

PROPOSITION A AND PROPOSITION B ARE SUBJECT TO THE ACCOUNTABILITY MEASURES PRESCRIBED IN SECTION 53410 OF THE GOVERNMENT CODE OF THE STATE OF CALIFORNIA.

EXHIBIT "B"

OFFICIAL BALLOT

CONSOLIDATED SPECIAL ELECTIONS FOR
IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

January 29, 2008

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

If you wrongly mark, tear, or deface this ballot, return it to the Clerk of the Board of Supervisors of Riverside County Flood Control and Water Conservation District and obtain a replacement.

PROPOSITION A: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$100,000,000 be incurred by and for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION B: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$39,000,000 be incurred by Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing for Improvement Area No. 2 of said community facilities district the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION C: Shall special taxes be levied annually on taxable property within Improvement Area No. 2 of Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District to pay the principal of and interest on the bonds of the community facilities district which may be issued and sold to finance for said improvement area the design, construction, and acquisition of the public facilities described in Proposition B of this ballot, or to pay or accumulate funds for paying the costs of the design, construction, and acquisition of such facilities, and to pay expenses incidental thereto and to the levy and collection of the special taxes, so long as the special taxes are needed to pay the principal of and interest on the bonds and for such other purposes, at the special tax rates and pursuant to the method of apportioning the special taxes set forth in Exhibit "B" to Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION D: Shall an appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, be established for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District in the amount of \$10,000,000?

YES	
NO	

PROPOSITION A AND PROPOSITION B ARE SUBJECT TO THE ACCOUNTABILITY MEASURES PRESCRIBED IN SECTION 53410 OF THE GOVERNMENT CODE OF THE STATE OF CALIFORNIA.

EXHIBIT "C"

OFFICIAL BALLOT

CONSOLIDATED SPECIAL ELECTIONS FOR
IMPROVEMENT AREA NO. 3 OF
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA

January 29, 2008

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

If you wrongly mark, tear, or deface this ballot, return it to the Clerk of the Board of Supervisors of Riverside County Flood Control and Water Conservation District and obtain a replacement.

PROPOSITION A: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$100,000,000 be incurred by and for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION B: Shall a bonded indebtedness in an aggregate principal amount not to exceed \$14,000,000 be incurred by Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, for a maximum term of not more than 40 years and with interest at a rate or rates not to exceed the maximum interest rate permitted by law, for the purposes of financing for Improvement Area No. 3 of said community facilities district the design, construction, and acquisition of flood control and storm water drainage facilities of Riverside County Flood Control and Water Conservation District and public road and bridge facilities of the County of Riverside and the City of Perris and paying incidental expenses, as provided in Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION C: Shall special taxes be levied annually on taxable property within Improvement Area No. 3 of Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District to pay the principal of and interest on the bonds of the community facilities district which may be issued and sold to finance for said improvement area the design, construction, and acquisition of the public facilities described in Proposition B of this ballot, or to pay or accumulate funds for paying the costs of the design, construction, and acquisition of such facilities, and to pay expenses incidental thereto and to the levy and collection of the special taxes, so long as the special taxes are needed to pay the principal of and interest on the bonds and for such other purposes, at the special tax rates and pursuant to the method of apportioning the special taxes set forth in Exhibit "C" to Resolution No. F2008-06 adopted by the Board of Supervisors of said flood control district on January 29, 2008?

YES	
NO	

PROPOSITION D: Shall an appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, be established for Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District in the amount of \$10,000,000?

YES	
NO	

PROPOSITION A AND PROPOSITION B ARE SUBJECT TO THE ACCOUNTABILITY MEASURES PRESCRIBED IN SECTION 53410 OF THE GOVERNMENT CODE OF THE STATE OF CALIFORNIA.

WARREN D. WILLIAMS
General Manager-Chief Engineer



1995 MARKET STREET
RIVERSIDE, CA 92501
951.955.1200
FAX 951.788.9965
www.floodcontrol.co.riverside.ca.us

RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT

January 29, 2008

Chairman and Members of the Board of Supervisors
Riverside Flood Control and Water Conservation District
4080 Lemon Street
Riverside, CA 92501

Gentlemen:

Re: Community Facilities District No. F05-1
(Homeland/Romoland) of Riverside
County Flood Control and Water
Conservation District

Pursuant to Section 53326 of the Government Code, I hereby agree to act as the election official to conduct the special elections within and for Improvement Area No. 1, Improvement Area No. 2, and Improvement Area No. 3 of Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District, County of Riverside, State of California. Pursuant to that Section 53326, I consent to the scheduling and conducting of the special election on January 29, 2008.

Sincerely,

A handwritten signature in black ink that reads "Nancy Romo". The signature is written in a cursive style with a long, sweeping tail on the letter "o".

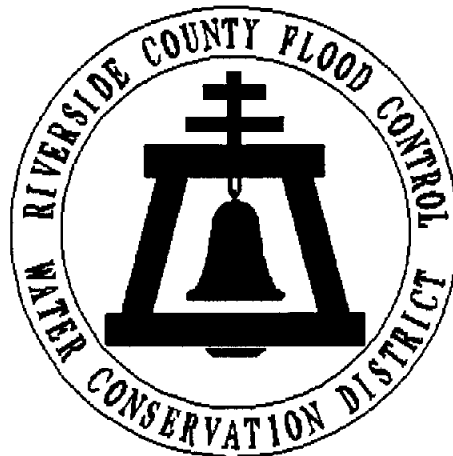
Clerk of the Board of Supervisors
Riverside County Flood Control
and Water Conservation District

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P8/117614

COMMUNITY FACILITIES DISTRICT REPORT

**PREPARED FOR
BOARD OF SUPERVISORS OF RIVERSIDE COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

**COMMUNITY FACILITIES DISTRICT NO. F05-1
(HOMELAND/ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT**



JANUARY 2008

Prepared by:

ALBERT A. WEBB ASSOCIATES
Consulting Engineers
3788 McCray Street
Riverside, CA 92506

AGENCY: BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT
PROJECT: COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT

**COMMUNITY FACILITIES DISTRICT REPORT
“MELLO-ROOS COMMUNITY FACILITIES DISTRICT ACT OF 1982”**

The Board of Supervisors of the Riverside County Flood Control and Water Conservation District (respectively, the "Board of Supervisors" and the "District") on December 18, 2007 adopted Resolution No. F2007-29 (the "Resolution of Intention), declaring its intention to establish Community Facilities District No. F05-1 (Homeland/Romoland) of the Riverside County Flood Control and Water Conservation District (the "Community Facilities District"), pursuant to the provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California,, (the "Act"). Section 10 of the Resolution of Intent directs that the appropriate officers of the County prepare and file a written report (the "Report") with the Clerk of the Board of Supervisors.

The Resolution ordering said Report did direct that said Report generally contain the following:

- Description of the Facilities
- Estimate of costs of Facilities
- Description of the incidental expenses of the Facilities

For particulars, reference is made to the Resolution of Intention as previously approved and adopted.

NOW, THEREFORE, the undersigned, an officer of the District, has caused to be prepared this Report consistent with provision of the Act and the Resolution of Intention and does hereby submit the following data:

- Map of the boundaries of CFD No. F05-1, see Appendix A.
- Rate and Method of Apportionment of Special Tax for CFD No. F05-1, Improvement Area 1, see Appendix B.
- Rate and Method of Apportionment of Special Tax for CFD No. F05-1, Improvement Area 2, see Appendix C.
- Rate and Method of Apportionment of Special Tax for CFD No. F05-1, Improvement Area 3, see Appendix D.

A. DESCRIPTION OF THE FACILITIES TO BE ACQUIRED

The types of facilities to be acquired as completed facilities are flood control and storm water drainage facilities, Riverside County public road and bridge facilities and City of Perris public road and bridge facilities (the "Facilities"). The flood control and storm water drainage facilities to be acquired include all associated appurtenances and any rights-of-way required from properties that have not been conditioned to dedicate such rights-of-way as a condition of development. The Facilities proposed to be acquired also include but are not limited to the following:

Regional Facilities:

Line A, Stage 3 (Project No. 4-0-310), Open Channel (varies in height from 0 feet to 12 feet and a base width from 38 feet to 50 feet) and a 4 cell RCB (varies in height from 10 feet to 11 feet and 14 feet in width); located immediately west of I-215 bridge crossing of Ethanac Wash and traversing in a northwesterly direction across Barnett Road, Ethanac Road, and Murrieta Road to the San Jacinto River. Approximately 10,020 linear feet of channel and 680 linear feet of RCB.

Line A, Stage 4 (Project No. 4-0-310), Open Channel varies in height from 7.67 feet to 8.67 feet and a base width from 30 feet to 42 feet) and a 2 cell RCB (7 feet in height and 11 feet in width); located immediately north of the Southern California Edison right-of-way adjacent to McLaughlin Road from the west side of the I-215 bridge crossing and traversing easterly across the I-215, Encanto Road, Trumble Road, Sherman Road, Dawson Road, Antelope Road, San Jacinto Road, Palomar Road, and Matthews Road. Approximately 8,100 linear feet of channel and 1,050 linear feet of RCB.

Line A, Stage 5 (Project No. 4-0-310), a 1 cell RCB (7 feet in height and varies in base width from 10 feet to 11 feet); located immediately east of Mathews Road (the terminus of Line A, Stage 4) and traversing in an easterly direction across Junipero Road, then continuing easterly and immediately adjacent to McLaughlin Road to the eastern side of Menifee Road, approximately 1,860 linear feet.

Line A, Stage 6 (Project No. 4-0-310), a 1 cell RCB (varies in height from 5 feet to 8 feet and varies in base width from 6 feet to 12 feet), 102" RCP, and 96" RCP; located immediately east of Menifee Road (the terminus of Line A, Stage 5) and traversing in an easterly direction and within the McLaughlin Road right-of-way to the eastern side of Menifee Road, approximately 2,820 linear feet of RCB and 2,615 linear feet of RCP.

Line 1, Stage 1 (Project No. 4-0-00345), Open Channel (6 feet in height and 6 feet in base width), a 2 cell RCB (7 feet in height and 10 feet in width), a 1 cell RCB (varies in height from 6 feet to 7 feet and 12 feet in width), 96" RCP, and 72" RCP; located in the northwest corner of the Briggs Road Detention Basin (Project No. 4-0-00346) and traversing northerly within the Briggs Road right-of-way to the southerly side of Watson Road, then traversing easterly immediately south of Watson Road to the west side of Sultanas Road, then continuing easterly within the Watson Road right-of-way to the easterly side of Juniper Flats Road into the southwest corner of the Juniper Flats Detention Basin (Project No. 4-0-00347), approximately 2,100 linear feet of channel, 4,595 linear feet of RCB, and 4,115 linear feet of RCP.

Briggs Road Detention Basin (Project No. 4-0-00346); located at the northeast corner of Briggs Road and McLaughlin Road, approximately 35.7 acres.

Line 4, Stage 1 (Project No. 4-0-00346) and a 2 cell RCB (8 feet in height and 10 feet in width); located on the eastern side of the Briggs Road Detention Basin (Project No. 4-0-00346) and traversing in an easterly direction across Emperor Road approximately 200 linear feet.

Juniper Flats Detention Basin (Project No. 4-0-00347); located at the northeast corner of Juniper Flats Road and Watson Road, approximately 30.8 acres.

Local Facilities:

Line A-3, Stage 1 (Project No. 4-0-00431), Open Channel (5 feet in height and 6 feet in base width) and a 1 cell RCB (varies in height from 6 feet to 6.5 feet and varies in base width from 10 feet to 12 feet); located in the Palomar Road right-of-way from Line A, Stage 4 (Project No. 4-0-310) to a point approximately 4,800 feet north, then easterly along the prolongation of Varela Lane to Menifee Road. Then continuing easterly and immediately adjacent to the southerly side of the Varela Lane right-of-way to Malone Avenue. Approximately 4,600 linear feet of channel and 5,530 linear feet of RCB.

Line A-16 (Project No. 4-0-310), 48" RCP; located within right-of-way of Sherman Road from the connection to Line A, Stage 4 (Project No. 4-0-310) to approximately 48 feet south.

Line A-17 (Project No. 4-0-310), 66" RCP; located within right-of-way of Dawson Road from the connection to Line A, Stage 4 (Project No. 4-0-310) to approximately 47 feet south.

Line A-18 (Project No. 4-0-310), 60" RCP; located within right-of-way of Antelope Road from the connection to Line A, Stage 4 (Project No. 4-0-310) to approximately 52 feet south.

Line A-2, (Project No. 4-0-00312), Open Channel (varies in height from 6 feet to 7 feet and in base width from 6 feet to 12 feet), a 2 cell RCB (6 feet in height and 10 feet in width), and a 1 cell RCB (6 feet in height and 8 feet in width); located between San Jacinto Road and Palomar Road at the connection stub for Line A, Stage 4 (Project No. 4-0-310) and then traversing approximately 3,015 feet southerly to the easterly side of Rouse Road within Tentative Tract No. 29835, then traversing easterly within Tentative Tract No. 29835 to the easterly side of Palomar Road, approximately 3,425 linear feet of channel and 615 linear feet of RCB.

Line 1B (Project No. 4-0-0336) and a 1 cell RCB (5 feet in height and 8 feet in width); located within right-of-way of Emperor Road from the connection to Line 1, Stage 1 (Project No. 4-0-00345) to approximately 61 feet north to connect to the existing RCB in Emperor Road.

ESTIMATE OF COSTS OF FACILITIES

The costs, listed below, are estimates only for the proposed Facilities, actual costs may differ. It is anticipated that all facilities will be acquired as completed Facilities by the Community Facilities District. The following is the current estimated cost of the Facilities for the Community Facilities District:

FACILITIES	TOTAL ESTIMATED COST
Facilities to be Purchased as Completed Facilities	
Line A	\$23,373,623
Line A - 2	2,190,310
Line A - 3	6,498,454
Line I	8,674,214
Briggs Basin	9,467,330
Juniper Flats	7,238,882
TOTAL	\$57,442,813

B. DESCRIPTION OF INCIDENTAL EXPENSES

Incidental expenses proposed to be incurred include the following:

- (a) the cost of planning and designing the proposed Facilities, including the cost of environmental evaluations of the Facilities;
- (b) the costs associated with the creation of the Community Facilities District, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District; and
- (c) any other expenses incidental to the construction, completion, and inspection of the authorized work.

C. ESTIMATE OF COSTS OF INCIDENTAL EXPENSES

Pursuant to Section 53345.3 of the Act, bonded indebtedness may include all costs and estimated costs incidental to, or connected with, the accomplishment of the purpose for which the proposed debt is to be incurred, including, but not limited to, the costs of administrative, legal, fiscal and financial consultant fees; bond and other reserve funds; discount fees; interest on any bonds of the district due and payable within two years of the issuance of the bonds; election costs; and all costs of issuance of the bonds, including, but not limited to, fees for bond and disclosure counsel, financial advisor, special tax consultant costs of obtaining credit ratings, bond insurance premiums, fees for letters of credit and other credit enhancement costs and printing costs. For the bonds proposed to be issued by the Community Facilities District for each of Improvement Area No. 1, Improvement Area No. 2, and Improvement Area No. 3, the reserve fund is estimated at

approximately eight percent (8%) of the principal amount of the bonds and capitalized interest is estimated at approximately ten percent (10%). Incidental bond issuance expenses of six percent (6%) are estimated for the bonds. Actual bond issue characteristics will vary from the above estimates based on market conditions and other factors.

The estimated incidental expenses related to the cost of planning and designing the Facilities, including the cost of environmental evaluations of the Facilities and other expenses incidental to the construction, completion and inspection of the authorized work are included in the estimated costs of the Facilities. The following is the current estimated cost of the incidental expenses for the Community Facilities District:

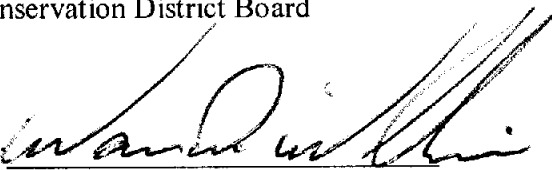
INCIDENTAL EXPENSE	TOTAL ESTIMATED COST
Bond Issuance	\$5,366,326
District Administration (approx. annual for each bond issue)	75,000
Debt Service Reserve Fund	5,546,464
Capitalized Interest for 18-months	6,847,210

The Board of Supervisors on December 18, 2007 adopted Resolution No. F2007-30 declaring its intention to incur bonded indebtedness of not to exceed: Improvement Area No. 1 \$47,000,000, Improvement Area No. 2 \$39,000,000, and Improvement Area No. 3 \$14,000,000 for a combined indebtedness of not to exceed \$100,000,000. It is anticipated that the Special Taxes levied by the Board of Supervisors, as legislative body of the Community Facilities District, will provide funding for the acquisition or construction of the Facilities, funding for incidental expenses and debt service requirements of bonded indebtedness issued to finance the Facilities and incidental expenses of the District and the Community Facilities District. Any funding shortfall shall be borne by the developers.

It is the opinion of the District staff that the Facilities, at the stated design levels, will adequately meet the flood control and storm water drainage requirements for the approved residential developments within the Community Facilities District.

DATED January 29, 2008

Riverside County Flood Control and Water
Conservation District Board

By 

Warren D. Williams
General Manager-Chief Engineer

Appendices:

Appendix A - Boundary Map

Appendix B - RMA for Improvement Area No. 1

Appendix C - RMA for Improvement Area No. 2

Appendix D - RMA for Improvement Area No. 3

APPENDIX A

BOUNDARY MAP

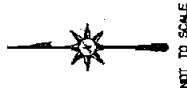
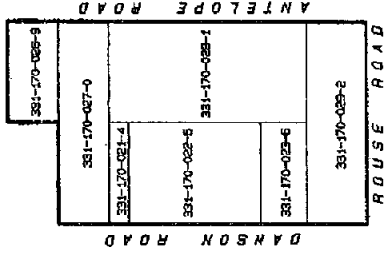
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SHEET 3 OF 4 SHEETS

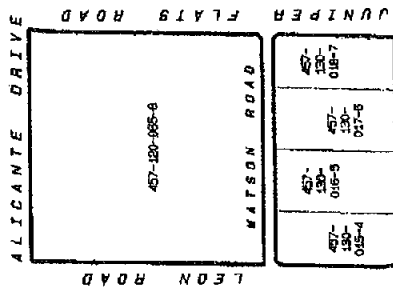
**BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. F05-1
(HOMELAND / ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

LEGEND
 123-123-123 DISTRICT BOUNDARY
 123-123-123 ASSESSMENT PARCEL NUMBER

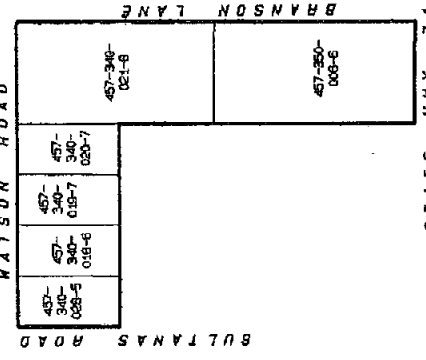
IMPROVEMENT AREA 2
TAX ZONE 2



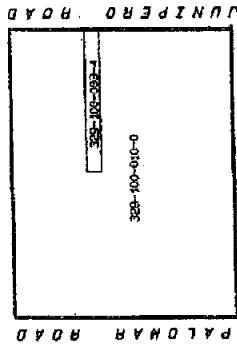
IMPROVEMENT AREA 2
TAX ZONE 4



IMPROVEMENT AREA 2
TAX ZONE 2



IMPROVEMENT AREA 2
TAX ZONE 1



THIS BOUNDARY MAP CORRECTLY SHOWS EACH SEPARATE LOT OR PARCEL OF LAND INCLUDED WITHIN THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

ALBERT A. WEBB ASSOCIATES

STATE H.W.Y. 74

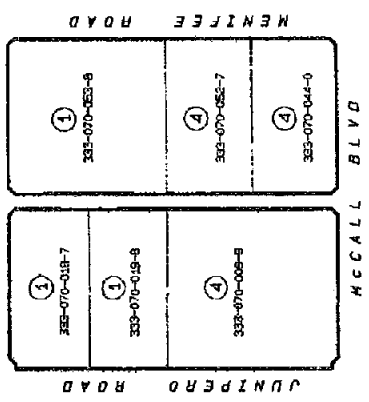
N.O. 05-0360

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SHEET 4 OF 4 SHEETS 72

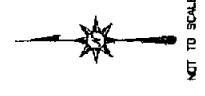
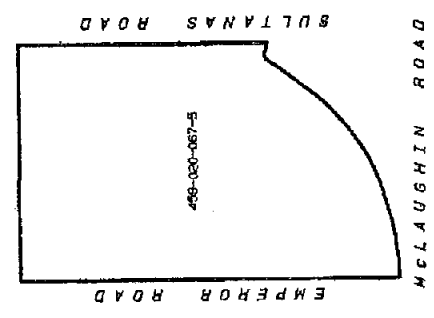
**BOUNDARIES OF
COMMUNITY FACILITIES DISTRICT NO. F05-1
(HOMELAND / ROMOLAND)
OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

LEGEND
 122-123-123 DISTRICT BOUNDARY
 122-123-123 ASSESSMENT PARCEL NUMBER

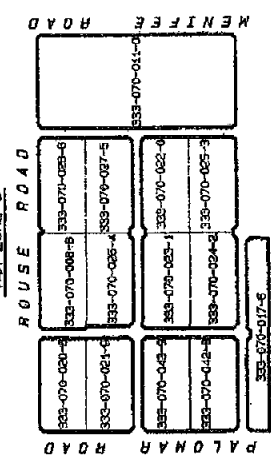
IMPROVEMENT AREA 3
TAX ZONE 1 & 4
 ① = TAX ZONE 1
 ④ = TAX ZONE 4



IMPROVEMENT AREA 3
TAX ZONE 2



IMPROVEMENT AREA 3
TAX ZONE 3



THIS BOUNDARY MAP CORRECTLY SHOWS EACH SEPARATE LOT OR PARCEL OF LAND INCLUDED WITHIN THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

ALBERT A. **WEBB** ASSOCIATES

H.D. 05-0360

APPENDIX B

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
FOR IMPROVEMENT AREA NO. 1**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT
(IMPROVEMENT AREA NO. 1)**

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 1 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor’s Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor’s Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

“Administrative Expenses” means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

“Administrator” means General Manager-Chief Engineer of the District, or his or her designee.

“Approved Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor’s Parcel Map” means an official map of the Assessor of the County of Riverside designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1 and Zone 2 as shown in Table 1 and Table 2, respectively, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 3 pursuant to the last paragraph of Section C.1.a.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1 and Zone 2, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1 and Table 2, respectively.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside.

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“Dwelling Unit” or “DU” means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 1 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zone 1 and Zone 2, any of the land use categories listed in Table 1 and Table 2, respectively.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

“Public Property” means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

“Single Family Attached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

“Single Family Detached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

“Single Family Property” means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

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

“Special Tax Requirement” means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners’ Association Property, or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

“Taxable Property” means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association Property.

“Zone” means Zone 1, Zone 2, or Zone 3.

“Zone 1” means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

“Zone 2” means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

“Zone 3” means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of

Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel. Parcels of Residential Property in Zone 2 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 2 based on the Residential Floor Area of the Dwelling Units on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1 or Zone 2 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property in Zone 1 or Zone 2 shall be the Assigned Special Tax described in Table 1 or Table 2, as applicable.

The Maximum Special Tax for each Parcel of Developed Property in Zone 3 shall be the greater of: (i) the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 2 are shown in Table 2.

TABLE 1

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,575 sq. ft.	\$2,243
B – Single Family Property	D/U	3,301 sq. ft. to 3,575 sq. ft.	\$2,152
C – Single Family Property	D/U	3,026 sq. ft. to 3,300 sq. ft.	\$2,000
D – Single Family Property	D/U	2,751 sq. ft. to 3,025 sq. ft.	\$1,939
E – Single Family Property	D/U	2,476 sq. ft. to 2,750 sq. ft.	\$1,817
F – Single Family Property	D/U	2,201 sq. ft. to 2,475 sq. ft.	\$1,744
G – Single Family Property	D/U	1,926 sq. ft. to 2,200 sq. ft.	\$1,665
H – Single Family Property	D/U	1,651 sq. ft. to 1,925 sq. ft.	\$1,574
I – Single Family Property	D/U	Less than or equal to 1,650 sq. ft.	\$1,483
J – Multifamily Residential Property	Acre	N/A	\$10,994
K – Non-Residential Property	Acre	N/A	\$10,994

TABLE 2

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 2

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 2,750 sq. ft.	\$2,573
B – Single Family Property	D/U	2,551 sq. ft. to 2,750 sq. ft.	\$2,467
C – Single Family Property	D/U	2,351 sq. ft. to 2,550 sq. ft.	\$2,327
D – Single Family Property	D/U	2,151 sq. ft. to 2,350 sq. ft.	\$2,169
E – Single Family Property	D/U	1,951 sq. ft. to 2,150 sq. ft.	\$2,063
F – Single Family Property	D/U	1,751 sq. ft. to 1,950 sq. ft.	\$1,922
G – Single Family Property	D/U	1,551 sq. ft. to 1,750 sq. ft.	\$1,817
H – Single Family Property	D/U	Less than or equal to 1,550 sq. ft.	\$1,711
I – Single Family Property (Attached)	D/U	Greater than 2,000 sq. ft.	\$1,799
J – Single Family Property (Attached)	D/U	1,751 sq. ft. to 2,000 sq. ft.	\$1,694
K – Single Family Property (Attached)	D/U	Less than or equal to 1,750 sq. ft.	\$1,588
L – Multifamily Residential Property	Acre	N/A	\$14,612
M – Non-Residential Property	Acre	N/A	\$14,612

Zone 3

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 3 shall be \$33,593 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 3 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$33,593) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 3 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned

Special Tax for all such reclassified Parcels of Single Family Property within Zone 3.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, or Zone 3, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, or Zone 3 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$12,935 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$17,190 per Acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$39,522 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, or Zone 3 that is not Exempt Property shall be the amount determined by multiplying the Acreage of each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, or Zone 3, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the

Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 83.64 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all

Parcels of Taxable Property within Zone 1 to less than 83.64 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 83.64 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 103.51 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 2.23 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$27,103,539 expressed in 2008 dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

"Construction Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

"Outstanding Bonds" means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

"Special Tax Obligation" means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property that is not Exempt Property. The Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.

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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the investment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").

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

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation for a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. Partial prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage (1.00 - F) of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

APPENDIX C

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
FOR IMPROVEMENT AREA NO. 2**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT
(IMPROVEMENT AREA NO. 2)**

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 2 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor’s Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor’s Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

“Administrative Expenses” means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

“Administrator” means General Manager-Chief Engineer of the District, or his or her designee.

“Approved Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor’s Parcel Map” means an official map of the Assessor of the County of Riverside designating parcels by Assessor’s Parcel number

“Assigned Special Tax” means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1 as shown in Table 1, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 2, Zone 3, and Zone 4 pursuant to the second, third, and fourth paragraphs of Section C.1.a, respectively.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside.

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“ Dwelling Unit” or “DU” means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 2 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zone 1, any of the land use categories listed in Table 1.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

“Public Property” means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

“Single Family Attached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

“Single Family Detached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

“Single Family Property” means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

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

“Special Tax Requirement” means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners’ Association Property or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

“Taxable Property” means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

“Undeveloped Property” means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association Property.

“Zone” means Zone 1, Zone 2, Zone 3, or Zone 4.

“Zone 1” means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

“Zone 2” means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

“Zone 3” means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

“Zone 4” means the specific area identified on the boundary map for the CFD as Tax Zone 4 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners’ Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of

Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property in Zone 1 shall be the Assigned Special Tax described in Table 1.

The Maximum Special Tax for each Parcel of Developed Property in Zone 2, Zone 3, or Zone 4 shall be the greater of the applicable: (i) Assigned Special Tax or (ii) amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

Zone 1

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1.

TABLE 1

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,100 sq. ft.	\$1,709
B – Single Family Property	D/U	2,776 sq. ft. to 3,100 sq. ft.	\$1,652
C – Single Family Property	D/U	2,451 sq. ft. to 2,775 sq. ft.	\$1,599
D – Single Family Property	D/U	2,126 sq. ft. to 2,450 sq. ft.	\$1,519
E – Single Family Property	D/U	1,801 sq. ft. to 2,125 sq. ft.	\$1,462
F – Single Family Property	D/U	1,476 sq. ft. to 1,800 sq. ft.	\$1,310
G – Single Family Property	D/U	Less than or equal to 1,475 sq. ft.	\$1,234
H – Multifamily Residential Property	Acre	N/A	\$7,470
I – Non-Residential Property	Acre	N/A	\$7,470

Zone 2

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 2 shall be \$8,150 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 2 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the

Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$8,150) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 2 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 2.

Zone 3

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 3 shall be \$7,757 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 3 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$7,757) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 3 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 3.

Zone 4

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 4 shall be \$7,686 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 4 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$7,686) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 4 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of Single Family

Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 4.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, Zone 3, or Zone 4, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, Zone 3, or Zone 4 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$8,788 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$9,589 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$9,126 per acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 4 shall be \$9,043 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, Zone 3, or

Zone 4 that is not Exempt Property shall be the amount determined by multiplying the Acreage of each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, Zone 3, or Zone 4, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 18.76 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 33.93 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 33.93 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 33.93 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 30.30 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

4. Zone 4

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 190.60 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$22,732,675 expressed in 2008 dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

“Special Tax Obligation” means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property that is not Exempt Property. The Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.
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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.

10. Determine the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate funds or accounts as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation for a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within 30 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. Partial prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage $(1.00 - F)$ of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

APPENDIX D

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
FOR IMPROVEMENT AREA NO. 3**

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND)
RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION
DISTRICT
(IMPROVEMENT AREA NO. 3)**

A Special Tax (all capitalized terms are defined in Section A) shall be applicable to each Parcel of Taxable Property located within Improvement Area No. 3 of Community Facilities District No. F05-1. The amount of Special Tax to be levied on a Parcel in each Fiscal Year, in which the Administrator determines that the levy of the Special Tax shall commence, shall be determined by the Board by applying the appropriate Special Tax as provided in Sections B, C, and D. All Parcels in the Improvement Area, unless exempted by law or by the provisions hereof in 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 gross acreage of a Parcel as shown on or determined on the basis of the most recent Assessor’s Parcel Map, or if the Acreage is not shown on or cannot be determined from the Assessor’s Parcel Map, the gross Acreage as shown on or determined based on the applicable Final Map, parcel map, condominium plan, plot plan or other similar document, as determined by the Administrator to be appropriate.

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

“Administrative Expenses” means all actual or reasonably estimated costs and expenses of the District and the CFD that are chargeable or allocable to the District or the CFD in connection with the administration of the CFD as allowed by the Act, which is allocable to the Improvement Area, and shall include, without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, trustee fees, rebate compliance calculation fees, any litigation involving the CFD, continuing disclosure undertakings of the District as imposed by applicable laws and regulations, communication with bondholders and normal administrative expenses.

“Administrator” means General Manager-Chief Engineer of the District, or his or her designee.

“Approved Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which building permits were not issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied.

“Assessor’s Parcel Map” means an official map of the Assessor of the County of Riverside designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Assigned Special Tax for Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 1, Zone 2, and Zone 3 as shown in Table 1, Table 2 and Table 3, respectively, or as determined with respect to Parcels of Single Family Property, Multifamily Residential Property, and Non-Residential Property in Zone 4 pursuant to the last paragraph of Section C.1.a.

“Backup Special Tax” means the Special Tax amount set forth in Section C.1.b.

“Board” means the Board of Supervisors of the District, acting in its capacity as the legislative body of the CFD.

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

“Classified” the term “classified” is used interchangeably with reference to the classification of Parcels of Developed Property as Multifamily Residential Property, Non-Residential Property and Single Family Property, and with reference to the assignment of Parcels of Developed Property in Zone 1, Zone 2, and Zone 3, including Parcels of Single Family Property, to the Land Use Categories set forth in Table 1, Table 2, and Table 3, respectively.

“CFD” means Community Facilities District No. F05-1 (Homeland/Romoland) of the District established pursuant to the Act.

“Common Area Property” means a portion or portions of a Parcel of Multifamily Residential Property or Non-Residential Property that is or will be used in common by all tenants, or exclusively by one or more tenants, in a building or buildings located on such Parcel, including portions of such a Parcel that are dedicated to interior roads, landscaping, walkways, parking, trash enclosures, and other such uses outside such building(s).

“County” means the County of Riverside

“Developed Property” means (a) all Parcels of Taxable Property (except Parcels, or portions thereof, that will be classified as Multifamily Residential Property or Non-Residential Property), or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property: (i) that are included in a Final Map that was recorded prior to January 1 preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied; and (b) all Parcels of Taxable Property, or portions thereof, not classified or categorized as Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that will be classified as Multifamily Residential Property or Non-Residential Property for which a building permit for new construction was issued prior to April 1 preceding the Fiscal Year in which the Special Tax is being levied regardless of whether such Parcels are included in a Final Map.

“District” means the Riverside County Flood Control and Water Conservation District.

“Dwelling Unit” or “DU” means an attached or detached single family residential unit.

“Exempt Property” means any Parcel that is exempt from Special Taxes pursuant to Section E.

“Facilities” means the storm water drainage and flood control facilities of the District that will be financed with the proceeds of the sale of the Bonds and/or with the revenues of Special Taxes levied on Parcels of Taxable Property.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots for which building permits may be issued without further subdivision, or a condominium project (as defined by California Civil Code Section 1351(f)) created by the recordation of a condominium plan pursuant to California Civil Code 1352.

“Fiscal Year” means the period starting on July 1 and ending on the following June 30.

“Improvement Area” means Improvement Area No. 3 of the CFD, as identified on the boundary map for the CFD.

“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, and any instrument replacing or supplementing the same.

“Land Use Category(ies)” means, with respect to Parcels in Zones 1, 2, and 3, any of the land use categories listed in Table 1, Table 2, and Table 3, respectively.

“Maximum Special Tax” means the maximum amount of Special Tax that can be levied in any Fiscal Year on a Parcel of Taxable Property, as determined pursuant to Section C.

“Multifamily Residential Property” means any Parcel of Developed Property that has been or will be improved with a building or buildings comprised of attached residential units available for rent by the general public and not for sale to occupants, and which are under common management.

“Non-Residential Property” means all Parcels of Developed Property for which a building permit was issued for the construction of any type of non-residential building.

“Open Space Property” means Parcels that are or will be dedicated as open space and will not be improved with structures that will be used for residential or commercial purposes, as determined by the Administrator.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned parcel number at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied.

“Parking Property” means a Parcel, or a portion thereof, that is or will be used exclusively for motor vehicle parking, as determined by the Administrator.

“Property Owners’ Association Property” means any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, has been conveyed, dedicated to, or irrevocably offered for dedication to a property owners’ association, including any master or sub-association.

“Proportionately” means : (i) for Parcels of Developed Property in any Zone that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Parcels of Developed Property in the Zone, (ii) for Parcels of Approved Property in any Zone that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels in the Zone, and (iii) for Parcels of Undeveloped Property and Parcels of (or portions thereof that are) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners’ Association Property, that are not Exempt Property, in any Zone, that the ratio of the actual Special Tax levy to the Maximum Special Tax is the same for all such Parcels within the Zone.

“Public Property” means, subject to Government Code Sections 53317.3 and 53317.5, any Parcel which, at the time the Special Tax is enrolled for the Fiscal Year for which the Special Tax is being levied, is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, a city, or any other local governmental agency; provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be classified and taxed according to its use.

“Residential Floor Area” means all of the square footage of living area of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio or similar area on a Parcel. The determination of Residential Floor Area shall be made by reference to the building permit for the Parcel or other similar official document selected by the Administrator.

“Residential Property” means all Parcels of Developed Property for which a building permit has been issued for the construction of one or more residential dwelling units.

“Single Family Attached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of attached residential units.

“Single Family Detached Property” means all Parcels of Residential Property, other than Parcels of Multifamily Residential Property, for which building permits have been issued for the construction of detached residential units.

“Single Family Property” means either Parcels of Single Family Attached Property or Parcels of Single Family Detached Property.

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

“Special Tax Requirement” means (a) prior to the issuance of Bonds, the amount which the Board determines is necessary in any Fiscal Year to pay the costs of the provision, construction and acquisition of the Facilities and/or to accumulate funds therefor, and (b) after the issuance of Bonds, the amount required in any Fiscal Year to pay the total of (i) annual debt service on all outstanding Bonds due in the calendar year which commences

in such Fiscal Year; plus (ii) periodic costs with respect to the Bonds, including but not limited to, credit enhancement and rebate payments; plus (iii) Administrative Expenses; plus (iv) an amount equal to any anticipated shortfall in Special Tax revenues due to Special Tax delinquencies in the prior Fiscal Year; plus (v) any amount required to establish or replenish a reserve fund for the Bonds; less (vi) a credit for any funds available to reduce the annual Special Tax levy, as determined by the Administrator. Prior to the issuance of Bonds, the Special Tax shall not be levied on any Parcel of Undeveloped Property, Public Property, Open Space Property or Property Owners' Association Property, or on any portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is classified as Parking Property or Common Area Property.

"Taxable Property" means all Parcels in the Improvement Area that are not Exempt Property and for which the obligation to pay the Special Tax has not been prepaid pursuant to Section H.

"Undeveloped Property" means all Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners' Association Property.

"Zone" means Zone 1, Zone 2, Zone 3, or Zone 4.

"Zone 1" means the specific area identified on the boundary map for the CFD as Tax Zone 1 of the Improvement Area.

"Zone 2" means the specific area identified on the boundary map for the CFD as Tax Zone 2 of the Improvement Area.

"Zone 3" means the specific area identified on the boundary map for the CFD as Tax Zone 3 of the Improvement Area.

"Zone 4" means the specific area identified on the boundary map for the CFD as Tax Zone 4 of the Improvement Area.

B. CLASSIFICATION AND ASSIGNMENT TO LAND USE CATEGORIES

For each Fiscal Year, commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, all Parcels of Taxable Property within each Zone shall be classified as Developed Property, Approved Property, Undeveloped Property, Public Property, Open Space Property, Parking Property, Common Area Property or Property Owners' Association 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, and D.

Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Parcels of Residential Property shall further be classified as Single Family Property or Multifamily Residential Property. Parcels of Residential Property in Zone 1 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 1 based on the Residential Floor Area of the Dwelling Unit(s) on the Parcel. Parcels of Residential Property in Zone 2 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 2 based on the Residential Floor Area of the Dwelling Units on the

Parcel. Parcels of Residential Property in Zone 3 that are classified as Single Family Property shall be assigned to a Land Use Category as shown in Table 3 based on the Residential Floor Area of the Dwelling Units on the Parcel.

C. MAXIMUM SPECIAL TAX

1. Developed Property

The Maximum Special Tax for each Parcel of Single Family Property in Zone 1, Zone 2, or Zone 3 shall be the greater of: (i) the applicable Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Parcel of Non-Residential Property and each Parcel of Multifamily Residential Property shall be the Assigned Special Tax described in Table 1, Table 2, or Table 3 as applicable.

The Maximum Special Tax for each Parcel of Developed Property in Zone 4 shall be the greater of the applicable: (i) Assigned Special Tax or (ii) amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 1 are shown in Table 1. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 2 are shown in Table 2. The amounts of the Assigned Special Tax for Parcels of Developed Property in Zone 3 are shown in Table 3.

TABLE 1

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 1

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 2,200 sq. ft.	\$650
B – Single Family Property	D/U	1,951 sq. ft. to 2,200 sq. ft.	\$622
C – Single Family Property	D/U	1,701 sq. ft. to 1,950 sq. ft.	\$573
D – Single Family Property	D/U	Less than or equal to 1,700 sq. ft.	\$544
E – Multifamily Residential Property	Acre	N/A	\$8,950
F – Non-Residential Property	Acre	N/A	\$8,950

TABLE 2

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 2

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,100 sq. ft.	\$1,504
B – Single Family Property	D/U	2,801 sq. ft. to 3,100 sq. ft.	\$1,429
C – Single Family Property	D/U	2,501 sq. ft. to 2,800 sq. ft.	\$1,354
D – Single Family Property	D/U	2,201 sq. ft. to 2,500 sq. ft.	\$1,279
E – Single Family Property	D/U	1,901 sq. ft. to 2,200 sq. ft.	\$1,203
F – Single Family Property	D/U	Less than or equal to 1,900 sq. ft.	\$1,128
G – Multifamily Residential Property	Acre	N/A	\$10,787
H – Non-Residential Property	Acre	N/A	\$10,787

TABLE 3

Assigned Special Tax Per Taxable Unit
For Land Use Categories in Zone 3

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
A – Single Family Property	D/U	Greater than 3,200 sq. ft.	\$1,760
B – Single Family Property	D/U	2,901 sq. ft. to 3,200 sq. ft.	\$1,685
C – Single Family Property	D/U	2,601 sq. ft. to 2,900 sq. ft.	\$1,610
D – Single Family Property	D/U	2,301 sq. ft. to 2,600 sq. ft.	\$1,535
E – Single Family Property	D/U	2,001 sq. ft. to 2,300 sq. ft.	\$1,460
F – Single Family Property	D/U	Less than or equal to 2,000 sq. ft.	\$1,386
G – Multifamily Residential Property	Acre	N/A	\$8,384
H – Non-Residential Property	Acre	N/A	\$8,384

Zone 4

The amount of the Assigned Special Tax for Parcels of Developed Property in Zone 4 shall be \$32,124 per Acre. At the time a Final Map is recorded, the Assigned Special Tax for each Parcel of Developed Property classified as Single Family Property within Zone 4 shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Assigned Special Tax for Parcels of Developed Property (*i.e.*, \$32,124) and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property within such Final Map. In the event that the use of a Parcel of Developed Property in Zone 4 that is initially classified as Multifamily Residential Property or Non-Residential Property is changed such that the Parcel should be classified as Single Family Property, the Assigned Special Tax applicable to each such Parcel of

Single Family Property shall be the amount determined by (i) multiplying the Acreage of all such Parcels of Multifamily Residential Property and/or Parcels of Non-Residential Property that are reclassified as Single Family Property by the Assigned Special Tax for Parcels of Multifamily Residential Property and/or Non-Residential Property, and (ii) dividing the product thus obtained by the number of Parcels of Single Family Property resulting from such reclassification; and the quotient thus obtained shall be the Assigned Special Tax for all such reclassified Parcels of Single Family Property within Zone 4.

b. Backup Special Tax

When a Final Map is recorded with respect to Parcels that are located in Zone 1, Zone 2, Zone 3, or Zone 4, the Backup Special Tax for each Parcel in such Final Map that will be classified as Single Family Property shall be determined by (i) multiplying the total Acreage of all such Parcels of Single Family Property by the Maximum Special Tax for Parcels of Undeveloped Property, and (ii) dividing the product thus obtained by the number of such Parcels of Single Family Property (*i.e.* the number of single family residential lots or condominium units) within such Final Map.

Notwithstanding the foregoing, if Parcels that are classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar map or document, then the Backup Special Tax for such Parcels shall be recalculated using the methodology described in the preceding paragraph.

The Backup Special Tax for Parcels of Multifamily Residential Property or Non-Residential Property shall be the same as the Maximum Special Tax for Parcels of Undeveloped Property.

2. Approved Property

The Maximum Special Tax for each Parcel (or portion thereof) of Approved Property within Zone 1, Zone 2, Zone 3, or Zone 4 shall be the Backup Special Tax calculated pursuant to Section C.1.b.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property within Zone 1 shall be \$10,530 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 2 shall be \$12,692 per Acre; the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 3 shall be \$9,863 per acre; and the Maximum Special Tax for each Parcel of Undeveloped Property within Zone 4 shall be \$37,793 per acre.

4. Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of (or portion of a Parcel that is) Public Property, Open Space Property, Parking Property, Common Area Property and/or Property Owners' Association Property in Zone 1, Zone 2, Zone 3, or Zone 4 that is not Exempt Property shall be the amount determined by multiplying the Acreage of

each such Parcel by the Assigned Special Tax for Parcels of Undeveloped Property in Zone 1, Zone 2, Zone 3, or Zone 4, as applicable.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Fiscal Year in which the Administrator determines that the levy of the Special Tax shall commence, and for each following Fiscal Year, the Board 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: 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 (except any portion or portions thereof that will be classified as Parking Property or Common Area 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 to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax as needed to satisfy the Special Tax Requirement; and

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 Public Property, Open Space Property and/or Property Owners' Association Property and on each portion of a Parcel of Multifamily Residential Property or Non-Residential Property that is Parking Property or Common Area Property, that is not Exempt 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 Tax levied in any Fiscal Year against any Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

E. EXEMPTIONS

1. Zone 1

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 1 to less than 9.68 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

2. Zone 2

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 2 to less than 22.28 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

3. Zone 3

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 3 to less than 42.77 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

4. Zone 4

The District shall classify Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and (except as provided in Government Code Sections 53317.3 and 53340.1) Public Property as Exempt Property, provided that no such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres.

Notwithstanding the above, the District shall not classify a Parcel (or a portion of a Parcel) as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres. Parcels (or portions thereof) of Open Space Property, Parking Property, Common Area Property, Property Owners' Association Property, and Public Property, which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property within Zone 4 to less than 2.54 Acres will be subject to the levy of the Special Tax as provided for in the fifth step in Section D.

F. MANNER OF COLLECTION

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 Administrator may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act if necessary to meet the financial obligations of the CFD.

G. APPEALS

Any Parcel owner may file a written appeal of the Special Tax on his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the processing of an appeal, all Special Taxes previously levied on the appellant's Parcel(s) must be paid on or before the statutory payment date. The written appeal must specify the reasons why the appellant claims the Special Tax levied on his/her Parcel(s) is in error. The Administrator shall review the appeal, meet with the appellant, if the Administrator deems it necessary, and advise the appellant of the Administrator's determination.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

"CFD Public Facilities Amount" means \$7,606,601 expressed in 2008 dollars, which shall increase by the Construction Inflation Index on July 1, 2009, and on each July 1 thereafter, or such lower number as (i) shall be determined by the Administrator as sufficient to provide the public facilities under the authorized bonding program of the CFD, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds that will be secured by Special Taxes to be levied pursuant to this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities for the Improvement Area.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, published as of March 1 of the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities Amount minus public facility costs available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued bonds which will remain outstanding after September 2 of the calendar year that begins on January 1 of the current Fiscal Year, excluding bonds that will be redeemed at a later date with the proceeds of prior prepayments of Special Tax Obligations.

“Special Tax Obligation” means the total amount of Special Taxes that could be levied on a Parcel based on the Maximum Special Tax for the Parcel through the date of final maturity of the Outstanding Bonds.

1. Prepayment in Full

The Special Tax Obligation may only be prepaid and permanently satisfied for a Parcel of Developed Property, Approved Property, or Undeveloped Property for which a building permit has been issued, or a Parcel of Public Property, Open Space Property, Parking Property, or Property Owners’ Association Property that is not Exempt Property. The Special Tax Obligation for such a Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as provided herein; provided that prepayment of the Special Tax Obligation for a Parcel 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 Special Tax Obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within ten (10) 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 determining the amount of the prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for such Parcel. Prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Prepayment Amount.

The Prepayment Amount (defined below) shall be determined as provided below (capitalized terms as defined below):

Bond Redemption Amount
plus Redemption Premium
plus Future Facilities Amount

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

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property and Approved Property, determine the Special Tax Obligation for the Parcel. For Parcels of Undeveloped Property, determine the Special Tax Obligation for such Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for such Parcel. For Parcels of Public Property, Open Space Property, Parking Property, or Property Owners' Association Property, determine the Special Tax Obligation for such Parcel.
3. Divide the Special Tax Obligation determined pursuant to paragraph 2 by the estimated total amount of the Maximum Special Taxes that could be levied on all Parcels of Taxable Property in the Improvement Area based on the applicable Maximum Special Tax amounts, or if build-out has occurred, the actual Maximum Special Tax that could be levied on all Parcels of Taxable Property, less the amount of the Maximum Special Tax for any Parcels for which the Special Tax Obligation has previously been prepaid.
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 and paid with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount determined pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the Future Facilities Costs.
7. Multiply the quotient obtained pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
8. 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.
9. Determine the amount of the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until

the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.

11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "*Defeasance Amount*").
12. Verify the administrative fees and expenses, including the costs of determining the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording any notices to evidence the prepayment of the Special Tax Obligation and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
13. 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.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount, and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate funds or accounts as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined pursuant to paragraph 9 (above), the Administrator shall remove the current Fiscal Year's Special Tax levy for the prepaying Parcel from the County tax rolls. The Board shall also cause a suitable notice to be recorded in compliance with the Act, to indicate that the Special Tax Obligation for the Parcel has been paid, that the release of the Special Tax lien on such Parcel has been cancelled, and that the obligation of such Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, the Special Tax Obligation for a Parcel may not be prepaid unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property in the Improvement Area both prior to and after the proposed prepayment is and will be at least 1.1 times the maximum amount of principal and interest due with respect to the Outstanding Bonds in any Bond Year (as defined in the Indenture) plus the anticipated Administrative Expenses.

2. Prepayment in Part

The Special Tax Obligation on a Parcel of Developed Property, a Parcel of Approved Property, or a Parcel of Undeveloped Property for which a building permit has been

issued may be partially prepaid in an amount that will provide for the redemption of Outstanding Bonds in increments of \$5,000. The amount of the prepayment shall be determined as provided in Section H.1; except that a partial prepayment shall be determined according to the following formula ("Partial Prepayment"):

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

These terms have the following meaning:

PP = the Partial Prepayment

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

F = the percentage by which the Special Tax Obligation for the Parcel(s) will be partially prepaid.

A = the Administrative Fees and Expenses calculated according to Section H.1

The owner of a Parcel who desires to partially prepay the Special Tax Obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Special Tax Obligation, (ii) the amount of the reduction in the annual Special Tax levy on the Parcel that the owner desires to achieve, and (iii) the company or agency that will be acting as the escrow agent, if applicable, and within ten (10) business days of receipt of such notice, the Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in determining the amount of the Partial Prepayment. Within thirty (30) days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Partial Prepayment amount for such Parcel. Partial prepayment of the Special Tax Obligation for a Parcel must be made not less than 60 days prior to the redemption date for the Outstanding Bonds that would be redeemed with the Partial Prepayment.

With respect to any Parcel for which the Special Tax Obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment according to Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a partial prepayment of the Special Tax Obligation for such Parcel, that a portion of the Special Tax Obligation equal to the percentage $(1.00 - F)$ of the remaining Special Tax Obligation has not been prepaid, and that Special Taxes shall continue to be levied on such Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax may be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than Fiscal Year 2045-46.

**REPORT REGARDING PUBLIC HEARINGS AND
SPECIAL ELECTIONS CONCERNING FORMATION
OF COMMUNITY FACILITIES DISTRICT NO. F05-1
(HOMELAND/ROMOLAND) OF RIVERSIDE COUNTY
FLOOD CONTROL AND WATER CONSERVATION DISTRICT**

At the January 29, 2008 regular meeting, the Board of Supervisors will conduct concurrent public hearings regarding the formation of proposed Community Facilities District No. F05-1 (Homeland/Romoland) of Riverside County Flood Control and Water Conservation District (the "Community Facilities District"). At the conclusion of the public hearings the Board of Supervisors will consider the adoption of resolutions establishing the Community Facilities District and calling special elections in Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3 of the Community Facilities District on the propositions which are set forth in the ballots that are attached as Exhibit "A", Exhibit "B" and Exhibit "C" to the resolution identified in subparagraph (c) of paragraph 6 of this report.

1. *Waivers and Consent to Elections.* The owners of all the taxable property in Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3 of the Community Facilities District have delivered to the Clerk of the Board of Supervisors written waivers which consent to scheduling the elections on January 29, 2008, immediately following the public hearing. The Clerk has consented to conducting the elections on January 29, 2008. The property owners' waivers and the Clerk's consent letter are on file in the office of the Clerk as part of the record of the proceedings for the formation of the Community Facilities District.

2. *Notices.* Notices of the public hearings have been published and mailed to the property owners as required by Resolution No. F2007-29 and Resolution No. F2007-30 adopted by the Board of Supervisors on December 18, 2007. Proofs of the publication and mailing of these notices are also on file in the Office of the Clerk as part of the record of the proceedings for the formation of the Community Facilities District.

3. *Facilities Report.* Albert A. Webb Associates, the special tax consultant for the Community Facilities District, has prepared a Community Facilities District Report that describes the types and estimated costs of the public facilities that are to be financed with the bonds of the Community Facilities District. A copy of that report is included in the Agenda materials for the public hearings. Pursuant to Government Code Section 53325.1, that report will be made a part of the record of the proceedings for the formation of the Community Facilities District.

4. *Protests.* Since the property owners have requested the formation of the Community Facilities District and have provided written waivers with respect to the elections, it is not anticipated that any protests will be received.

5. *Elections.* The Registrar of Voters has determined that there are no registered voters residing within the Community Facilities District. A copy of the Registrar of Voters' determination letter is on file in the office of the Clerk as part of the record of the proceedings for the formation of the Community Facilities District. Since there are less than 12 registered

voters, the vote in the elections will be by the landowners and each landowner will have one vote for each acre or portion of an acre of land that it owns.

6. *Resolutions.* At the conclusion of the public hearings, if the Board of Supervisors wishes to proceed with the formation of the Community Facilities District, the authorization of bonded indebtedness and calling the elections, the Board will adopt the resolutions identified below. These resolutions schedule the elections on January 29, 2008, immediately following the public hearings.

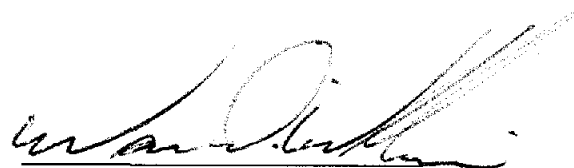
- (a) RESOLUTION NO. F2008-06 - RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT ESTABLISHING COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, AND ESTABLISHING THE BOUNDARIES THEREOF
- (b) RESOLUTION NO. F2008-07 - RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT DETERMINING THE NECESSITY FOR COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) TO INCUR A BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000 FOR PROVIDING PUBLIC FACILITIES WITHIN AND FOR IMPROVEMENT AREA NO. 1, IMPROVEMENT AREA NO. 2 AND IMPROVEMENT AREA NO. 3 OF THE COMMUNITY FACILITIES DISTRICT, AND CALLING SPECIAL ELECTIONS FOR THE IMPROVEMENT AREAS ON PROPOSITIONS FOR INCURRING SUCH BONDED INDEBTEDNESS
- (c) RESOLUTION NO. F2008-08 - RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT CALLING SPECIAL ELECTIONS AND SUBMITTING TO THE VOTERS OF IMPROVEMENT AREA NO. 1, IMPROVEMENT AREA NO. 2 AND IMPROVEMENT AREA NO. 3 OF COMMUNITY FACILITIES DISTRICT NO. F05-1 (HOMELAND/ROMOLAND) PROPOSITIONS WITH RESPECT TO THE ANNUAL LEVY OF SPECIAL TAXES WITHIN SUCH IMPROVEMENT AREAS AND ESTABLISHING AN APPROPRIATIONS LIMIT FOR THE COMMUNITY FACILITIES DISTRICT

7. *Conduct of Elections and Declaring Results.* The Clerk of the Board of Supervisors will conduct the elections, canvass the ballots, tabulate the votes, and present a report to the Board of Supervisors regarding the results of the elections. The Board of Supervisors will adopt a resolution declaring the results of the elections at a later meeting.

Dated: January __, 2008

WARREN D. WILLIAMS
General Manager-Chief Engineer

By:

A handwritten signature in black ink, appearing to read "Warren D. Williams", written over a horizontal line.