

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

681



FROM: County Executive Office

SUBMITTAL DATE:
September 30, 2008

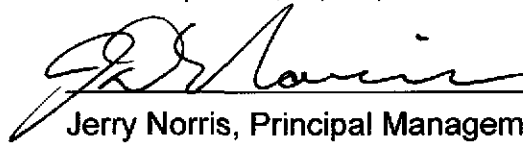
SUBJECT: Ordinance No. 879 An Ordinance of the County of Riverside Authorizing The Levy of a Special Tax within Improvement Area No. 2 of Community Facilities District No. 07-1 (Newport/I-215 Interchange) of the County of Riverside.

RECOMMENDED MOTION: That the Board of Supervisors, introduce Ordinance No. 879 authorizing the Levy of a Special Tax within Improvement Area No. 2 of Community Facilities District No. 07-1 (Newport/I-215 Interchange), and then adopt at the next board meeting, which in this case will be October 7, 2008, said Ordinance No. 879.

BACKGROUND: On November 27, 2007, the Board of Supervisors adopted Resolution No. 2007-034 declaring its intent to form Community Facilities District No. 07-1 of the County of Riverside ("CFD 07-1"), and to divide said CFD 07-1 into two improvement areas, and calling a public hearing for January 8, 2008. Also on that date, the Board adopted Resolution No. 2007-491 declaring its intent to incur bonded indebtedness that would not exceed \$60,000,000 in total inside the proposed boundaries of CFD 07-1.

On January 8, 2008, at the conclusion of the public hearing the Board of Supervisors adopted Resolution No. 2008-034 and the Legislative Body adopted Resolution No. CFD 2008-01, both of which called an election of the qualified electors of the proposed Community Facilities District No. 07-1 (Newport/I-215 Interchange) of the County of Riverside (the "CFD") to consider the following propositions: should the CFD be able to incur bonded indebtedness in an aggregate principal amount of \$60,000,000 and be able to levy a special tax within its boundaries consistent with the terms of the Rate and Method of Apportionment, and should the CFD establish an annual appropriations limit equal to \$10,000,000.

(Continued on Page 2)


Jerry Norris, Principal Management Analyst

FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER 9/25/08
DATE: 9/25/08
Departmental Concurrence

FINANCIAL DATA	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	08/09

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

C.E.O. RECOMMENDATION: APPROVE

BY: 
Dean Deines

County Executive Office Signature

- Policy
- Consent
- Policy
- Consent

Dept's Recomm.:
Per Exec. Ofc.:

Form 11
Ordinance No. 879
September 30, 2008
Page 2

The resolutions were consistent with the provisions of the Act, and allowed for the special election which was held on April 29, 2008. At the conclusion of the election, the Registrar of Voters office counted all of the ballots that were received from the qualified electors by 11:00am and, consistent with Section 53326(d) of the Government Code, declared the special election to be closed.

On April 29, 2008, during the afternoon session of the Board of Supervisors meeting, the Registrar of Voters certified the election with the following results. All of the propositions for Improvement Area 2 were approved by more than two thirds (2/3) of the votes cast in the election. Improvement Area 1, however, did not have any votes returned within the voting window. The lack of votes for the propositions mandates a failed election for Improvement Area 1. As such, the attached ordinance only pertains to Improvement Area 2.

The adoption of Ordinance No. 879, on September 30, 2008, authorizes the levy of special taxes within Improvement Area 2 of the District pursuant to the rate and method of apportionment of special tax approved by the Board and the qualified electors. The special tax is to be levied commencing in fiscal year 2009-10 and in each fiscal year thereafter until the final maturity date of all the bonds issued.

Staff recommends that the Chairman of the Board of Supervisors be authorized to sign Ordinance No. 879 and that the Clerk of the Board of Supervisors attest to the Chairman's signature and then cause the same to be published within fifteen (15) days after its passage on September 30, 2008 at least once in The Press-Enterprise, a newspaper of general circulation published and circulated in the area of the District, and that Ordinance No. 879, authorizing the levy and collection of special taxes within the CFD shall take effect immediately upon its passage in accordance with the provisions of Section 25123 (c) of the California Government Code.

ORDINANCE NO. 879

AN ORDINANCE OF THE COUNTY OF RIVERSIDE AUTHORIZING
THE LEVY OF SPECIAL TAXES IN IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 07-1(NEWPORT/I-215
INTERCHANGE) OF THE COUNTY OF RIVERSIDE

The Board of Supervisors (the "Board of Supervisors") of the County of Riverside (the "County") ordains as follows:

Section 1. FINDINGS. The Board of Supervisors finds that:

a. On November 27, 2007, the Board of Supervisors adopted Resolution No. 2007-490 declaring its intention to form Community Facilities District No. 07-1 (Newport/I-215 Interchange) of the County of Riverside (the "District") pursuant to the Mello Roos Community Facilities Act of 1982, as amended, comprising Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act"), and Resolution No. 2007-491 declaring its intention to incur bonded indebtedness for the District; and

b. On January 8, 2008, after providing all notice required by the Act, the Board of Supervisors conducted noticed public hearings required by the Act relative to the proposed formation of the District, the designation of Improvement Area No. 1 and Improvement Area No. 2 therein, the proposed levy of a special tax within each Improvement Area to finance certain public facilities described in Resolution No. 2007-490 and to secure the payment of any bonded indebtedness of the District, and the proposed issuance of up to \$60,000,000 of bonded indebtedness as described in Resolution No. 2007-491; and

c. At the January 8, 2008 public hearings, all persons desiring to be heard on all matters pertaining to the formation of the District, the designation of Improvement Area No. 1 of the District and Improvement Area No. 2 of the District, and the proposed levy of the special tax within each Improvement Area to finance the facilities described in Resolution No. 2007-490 and to secure the payment of up to \$60,000,000 of bonded indebtedness of the District as described in Resolution No. 2007-491 (the "Bonds") were heard and full and fair hearings were held; and

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1 d. On January 8, 2008, the Board of Supervisors adopted Resolution No.
2 2008-034 which formed the District, designated Improvement Area No. 1 of the District and
3 Improvement Area No. 2 of the District, and called a special election within each Improvement
4 Area of the District on April 15, 2008; and

5 e. On January 8, 2008, the Board of Supervisors acting as the legislative body
6 of the District adopted Resolution No. CFD 2008-01 to incur bonded indebtedness in an amount
7 not to exceed \$60,000,000 and called a special election within each Improvement Area of the
8 District on April 15, 2008; and

9 f. On April 15, 2008, the Board of Supervisors acting as the legislative body
10 of the District adopted Resolution No. CFD 2008-04 which amended the special election date for
11 each Improvement Area and continued the special elections from April 15, 2008 to April 29,
12 2008; and

13 g. On April 29, 2008, a special election was held within each Improvement
14 Area of the District at which the qualified electors of Improvement Area No. 2 of the District
15 approved by more than a two-thirds vote Propositions A, B and C authorizing the levy of a special
16 tax within Improvement Area No. 2 of the District for the purposes described in Resolution No.
17 2008-034, and establishing an appropriations limit for the District and authorizing the issuance of
18 the Bonds as described in Resolution No. CFD 2008-01. The qualified electors of Improvement
19 Area No. 1 of the District did not approve by more than a two-thirds vote Propositions A, B and C
20 authorizing the levy of a special tax within Improvement Area No. 1 of the District for the
21 purposes described in Resolution No. 2008-034, and establishing an appropriations limit for the
22 District and authorizing the issuance of the Bonds as described in Resolution No. CFD 2008-01.

23 Section 2. PURPOSE. The purpose of this Ordinance is to provide for levy of special
24 taxes within Improvement Area No. 2 of the District.

25 Section 3. AUTHORITY. This Ordinance is adopted pursuant to Sections 53328 and
26 53340 of the Government Code.

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1 Section 4. LEVY OF SPECIAL TAXES.

2 a. By the passage of this Ordinance, the Board of Supervisors authorizes (i)
3 the levy of a special tax within the Improvement Area No. 2 of the District at up to the maximum
4 rate in accordance with the rate and method of apportionment set forth in Attachment "A" hereto,
5 which is incorporated by reference herein (the "Improvement Area No. 2 Rate and Method").
6 The special tax is hereby authorized to be levied within Improvement Area No. 2 of the District
7 for the period necessary to satisfy the Special Tax Requirement (defined in the Improvement Area
8 No. 2 Rate and Method) but in no event shall it be levied after fiscal year 2049-50.

9 b. The Board of Supervisors acting as the legislative body of the District is
10 hereby further authorized to determine in each subsequent fiscal year, by ordinance, or by
11 resolution if permitted by then applicable law, on or before August 10 of each year, or such later
12 date as is permitted by law, the specific special tax rate and amount to be levied on each parcel of
13 land in Improvement Area No. 2 of the District pursuant to the special tax described in the
14 Improvement Area No. 2 Rate and Method. The special tax rate to be levied pursuant to the
15 Improvement Area No. 2 Rate and Method shall not exceed the maximum rates set forth therein,
16 but the special tax may be levied at a lower rate.

17 c. All of the collections of the special tax shall be used as provided for in the
18 Act and Resolution No. 2008-034. The special tax shall be levied only so long as needed for the
19 purposes described in Resolution No. 2008-034.

20 d. The special tax shall be collected in the same manner as ordinary ad
21 valorem property taxes are collected and shall be subject to the same penalties and the same
22 procedure, sale and lien priority in case of delinquency as is provided for ad valorem taxes (which
23 such procedures include the exercise of all rights and remedies permitted by law to make
24 corrections, including, but not limited to, the issuance of amended or supplemental tax bills), as
25 such procedure may be modified by law or by this Board of Supervisors from time to time. The
26 special tax shall have the same lien priority, and shall be subject to the same penalties and the
27 same procedure and sale in cases of delinquency as provided for *ad valorem* taxes. In addition,
28 the provisions of Section 53356.1 of the Government Code shall apply to any delinquent special

1 tax. The Board of Supervisors, acting as the legislative body of the District, is hereby authorized
2 and directed to take all actions necessary in order to effect the proper billing and collection of the
3 special tax, so that the special tax shall be levied and collected in sufficient amounts and at the
4 times necessary to satisfy the financial obligations of the District in each fiscal year.

5 Notwithstanding the foregoing, the Board of Supervisors, acting as the legislative body of
6 the District, may collect, or cause to be collected, one or more installments of the special tax by
7 means of direct billing by the District of the property owners within Improvement Area No. 2 of
8 the District if, in the judgment of the legislative body, such means of collection will reduce the
9 burden of administering the District or is otherwise appropriate in the circumstances. In such
10 event, the special tax, and each installment of the special tax, shall become delinquent if not paid
11 when due as set forth in any such respective billing to the property owners.

12 e. As a cumulative remedy, if any amount levied as a special tax for payment
13 of the interest or principal of any Bond, together with any penalties and other charges accruing
14 under this Ordinance, are not paid when due, the Board of Supervisors may, not later than four
15 years after the due date of the last installment of principal on the Bonds, order that the same be
16 collected by an action brought in the superior court to foreclose the lien of such special tax.

17 Section 5. EXEMPTION. Properties or entities of the state, federal or other local
18 governments shall be exempt from the special tax, except as otherwise provided in Sections
19 53317.3 and 53317.5 of the Act and Section E of the Improvement Area No. 2 Rate and Method.
20 No other properties or entities in Improvement Area No. 2 of the District are exempt from the
21 special tax unless the properties or entities are expressly exempted in Resolution No. 2008-034, or
22 in a resolution of consideration to levy a new special tax or special taxes or to alter the rate or
23 method of apportionment or an existing special tax as provided in Section 53334 of the Act.

24 Section 6. SEVERABILITY. If for any reason any portion of this Ordinance is found
25 to be invalid, or if the special tax is found inapplicable to any particular parcel within
26 Improvement Area No. 2 of the District, by a court of competent jurisdiction, the balance of this
27 Ordinance and the application of the special tax to the remaining parcels within Improvement
28 Area No. 2 of the District shall not be affected.

1 Section 7. EFFECTIVE DATE.

2 a. The Chairman of the Board of Supervisors shall sign this Ordinance and
3 the Clerk of the Board of Supervisors shall attest to the Chairman's signature and then cause the
4 same to be published within fifteen (15) days after its passage at least once in a newspaper of
5 general circulation published and circulated in the County.

6 b. The Clerk of the Board of Supervisors is hereby authorized to transmit a
7 certified copy of this ordinance to the Riverside County Assessor and Treasurer Tax Collector,
8 and to perform all other acts which are required by the Act, this Ordinance or by law in order to
9 accomplish the purpose of this Ordinance.

10 c. A full reading of this Ordinance is dispensed with prior to its final passage,
11 a written or printed copy having been available to the Board of Supervisors and the public a day
12 prior to its final passage.

13 d. This Ordinance shall take effect immediately upon its passage in accordance
14 with the provisions of Section 25123(c) of the Government Code.

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

By: _____

Chairman

ATTEST:
CLERK OF THE BOARD

By: _____

Deputy

(SEAL)

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 7/23/08
DALE A. GARDNER DATE

ATTACHMENT A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR IMPROVEMENT AREA NO. 2 OF COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE) OF THE COUNTY OF RIVERSIDE

A Special Tax (all capitalized terms are defined in Section A. Definitions below) shall be levied on each Parcel of Taxable Property located in Improvement Area No. 2 "IA No. 2" within the boundaries of Community Facilities District No. 07-1 (Newport / I-215 Interchange) of the County of Riverside. The amount of Special Tax to be levied each Fiscal Year, commencing in Fiscal Year 2008-2009, on a Parcel shall be determined by the Legislative Body, by applying the appropriate Special Tax for each category of Taxable Property. All real property within IA No. 2, unless exempted by law, Section E. or non-taxable pursuant to Section H.1. or H.2. shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the acreage of a Parcel as stated on the most recent Assessor's Parcel Map, or if the acreage is not shown on such Assessor's Parcel Map, the acreage as determined from the applicable Final Map, or similar instrument.

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

"Administrative Expenses" means all actual or reasonably estimated costs and expenses of the IA No. 2 as determined by the Administrator to be chargeable or allocable to the IA No. 2 and that are allowed by the Act and the Indenture, which shall include without limitation, all costs and expenses arising out of or resulting from the annual levy and collection of the Special Tax, Special Tax appeals, initiating and prosecuting a foreclosure action on a Parcel; all trustee/fiscal agent expenses and fees; the cost of rebate compliance calculation, initiating or defending any litigation involving the IA No. 2, continuing disclosure undertakings of the IA No. 2 and/or the County, all communications with bondholders, property owners, or other interested persons; and the costs of County staff, consultants, and legal counsel incurred on behalf of the IA No. 2 in performing such administrative responsibilities.

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

“Annexed Property” means Taxable Property that has been annexed into IA No. 2 by the Legislative Body and which Taxable Property is depicted within the boundaries of the map attached hereto as Exhibit B.

“Approved Property” means, for each Fiscal Year, all Parcel(s), lot(s) or units(s) of Taxable Property not classified as Taxable Public Property, Taxable Property Owners’ Association Property or Taxable Non-Residential Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding said Fiscal Year, and (ii) that have not been issued a Building Permit prior to the April 1st preceding said Fiscal Year.

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

“Assessor’s Parcel Number” means, the number assigned by the Assessor of the County for a Parcel on an Assessor’s Parcel Map.

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

“Assumed Administrative Expenses” means (a) for Fiscal Year 2008-2009, \$35,000, and (b) for any subsequent Fiscal Year, the amount resulting from increasing the Assumed Administrative Expenses on each July 1, from and including the first July 1 after Bonds have been issued to and including the June 30 in such Fiscal Year, by 2.00% of the amount in effect for the previous Fiscal Year.

“Backup Special Tax” means the Special Tax determined in Sections C. 1. b. and C. 2. b., below.

“Bonds” means any bonds or other debt (as defined in the Act), whether issued in one or more series, secured only by the levy of Special Taxes on Assessor’s Parcels in IA No. 2.

“Building Permit” means a building permit issued by the County (or another public agency in the event the County no longer issues such permits) for new construction.

“CFD” means Community Facilities District No. 07-1 (Newport / I-215 Interchange) of the County of Riverside established pursuant to the Act and identified by the CFD Boundary Map attached as Exhibit A.

“CFD Boundary Map” means the map recorded at CFD formation, and attached hereto as Exhibit A.

“Cost of the Facilities” means the calculation of the cost of the Facilities to be constructed together with amounts needed to pay for financing costs, e.g. capitalized interest, funding a reserve fund, cost of issuance and underwriter’s discount, as determined by the Administrator.

“County” means the County of Riverside.

“Developed Property” means, for each Fiscal Year, all Parcel(s), lot(s) or unit(s) of Taxable Property not classified as Taxable Public Property, Taxable Property Owners’ Association Property and Taxable Non-Residential Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding said Fiscal Year, and (ii) for which a Building Permit has been issued prior to April 1st of the preceding said Fiscal Year.

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

“Facilities” means the improvements identified in the Menifee Valley Road and Bridge Benefit District, specifically the widening of the interchange at Interstate 215 and Newport Road and the modification of the ramps to meet future traffic demands, including 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, bringing into conformance said facility with the provisions of the Menifee Valley Road and Bridge Benefit District, as amended from time to time.

“Final Map” means a recorded final map, parcel map, approved plot plan or lot line adjustment, by which a subdivision of property has been made pursuant to the Subdivision

Map Act (California Government Code Section 66410 *et seq.*) that creates or continues Parcel(s), lot(s) or unit(s) for which Building Permits may be issued without further subdivision or a condominium plan approved pursuant to California Civil Code Section 1352: provided, however, that for property that the Administrator determines is to be developed as condominiums in phases only the condominium plan for each phase shall be treated as a final map for purposes of this definition and the *initial final* map for such property shall not be treated as a final map for purposes of this definition under such circumstances unless the Administrator determines to treat it as a final map pursuant to Section B below.

“Fiscal Year” means the period starting on July 1 of any calendar year and ending on June 30 of the following calendar year, commencing July 1, 2008.

“Improvement Area No. 2” or **“IA No. 2”** means Improvement Area No. 2 of Community Facilities District No. 07-1 (Newport/I-215 Interchange) of the County, the boundaries of which are identified on the boundary map for the CFD, attached hereto as Exhibit A.

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

“Land Use Category” means any of the land use categories listed in Table 2, below.

“Legislative Body” means the Board of Supervisors of the County acting *ex officio* as the Legislative Body of IA No. 2.

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

“Menifee Valley Road and Bridge Benefit District” means the Road and Bridge Benefit District established by the Board of Supervisors of the County of Riverside for the purpose of defraying the cost of road and bridge improvements to the established area of benefit.

“Multifamily Property” means, for each Fiscal Year, any Parcel, lot or unit of Residential Property, other than Single Family Property identified within the boundaries of IA No. 2 for which a Building Permit can or has been issued for attached or detached residential units in a

development that has a density of greater than eight (8) Residential Dwelling Units per gross acre, as recorded on a Final Map or as determined by the Administrator.

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

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

“Non-Residential Property” means, for each Fiscal Year, all Parcels of Developed Property and Approved Property for which a Building Permit can or has been issued for any type of non-residential use, provided, however, that if zoning allows either residential construction or non-residential construction, such property shall be categorized as Residential Property until such time as a Building Permit for non-residential use has been issued.

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

“Parcel” means, for each Fiscal Year, an individual legal lot within the boundary of IA No. 2 as shown on an Assessor’s Parcel Map to which an Assessor’s Parcel Number has been assigned.

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

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

“Public Property” means, for each Fiscal Year, any Parcel within the boundary of IA No. 2 which, as of the January 1 preceding said Fiscal Year, is owned by, dedicated to, or irrevocably offered for dedication to, the federal government, the State of California, the County, or any other public agency, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement; provided, however, that any Parcel leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use. Public Property includes, but is not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools, or property dedicated and restricted for the use as open space, park or habitat reserve.

“Residential Dwelling Unit” or **“RDU”** means, for each Fiscal Year, a building or portion thereof on a Parcel intended for use by one (1) family and containing but one (1) kitchen, which is designed primarily for residential occupancy including single family and multifamily dwellings. Residential Dwelling Unit shall not include hotels or motels which shall be classified as Non-Residential Property.

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

“Residential Property” means, for each Fiscal Year, Developed Property and Approved Property for which a Building Permit for RDUs can or has been issued, as determined by the Administrator.

“Single Family Property” means, for each Fiscal Year, any Parcel, lot or unit of Residential Property, other than Multifamily Property identified within the boundaries of IA No. 2 for which a Building Permit can or has been issued for attached or detached residential units in a development that has a density of eight (8) Residential Dwelling Units to the gross acre or less, as recorded on a Final Map or as determined by the Administrator.

“Special Tax” means, (i) prior to the issuance of any Bonds, the special tax to be levied in any Fiscal Year on each Parcel of Developed Property to be applied towards the Cost of Facilities, and, (ii) subsequent to the issuance of the first series of Bonds, the special tax to be levied in any Fiscal Year on each Parcel of Taxable Property to provide funding for the Special Tax Requirement.

“Special Tax Requirement” means, for each Fiscal Year, that amount required in each Fiscal Year to pay: (i) annual debt service on all Outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) an amount equal to any shortfall due to Special Tax delinquencies experienced in the prior Fiscal Year; (v) for acquisition or construction of Facilities provided such amount does not cause an increase in the Special Tax levy on Approved Property, Undeveloped Property, Taxable Property Owners’ Association Property, Taxable Public Property or Taxable Non-Residential Property; and (vi) any amounts required to establish or replenish any reserve funds for the Outstanding Bonds; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

“Tax Zone(s)” means Tax Zone 1, Tax Zone 2, Tax Zone 3, Tax Zone 4, and Tax Zone 5 of IA No. 2.

“Tax Zone 1” means the specific area identified on the CFD Boundary Map as Improvement Area No. 2 Tax Zone 1.

“Tax Zone 2” means the specific area identified on the CFD Boundary Map as Improvement Area No. 2 Tax Zone 2.

“Tax Zone 3” means the specific area identified on the CFD Boundary Map as Improvement Area No. 2 Tax Zone 3.

“Tax Zone 4” means the specific area identified on the CFD Boundary Map as Improvement Area No. 2 Tax Zone 4.

“Tax Zone 5” means the specific area identified on the CFD Boundary Map as Improvement Area No. 2 Tax Zone 5.

“Taxable Non-Residential Property” means, for each Fiscal Year, any Parcel of Non-Residential Property which is not Exempt Property pursuant to Section E.

“Taxable Property” means, for each Fiscal Year, all Parcels in IA No. 2 which are not Exempt Property pursuant to Section E.

“Taxable Property Owners' Association Property” means, for each Fiscal Year, any Parcel of Property Owners' Association Property which is not Exempt Property pursuant to Section E.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property including residentially zoned property which has not become Approved Property or Developed Property, excluding Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property which has not become Approved Property or Developed Property and which is not Exempt Property pursuant to Section E or non-taxable pursuant to Section H.1. or H.2., below.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year in which the Special Tax is levied, each Parcel of Taxable Property shall be categorized as either Undeveloped Property, Approved Property, Developed Property, Taxable Public Property, Taxable Property Owners' Association Property or Taxable Non-

Residential Property, and shall be subject to the levy of Special Tax in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C., and D., below. Approved Property and Developed Property shall further be classified as Single Family Property or Multifamily Property. Multifamily Property within a recorded final map (which the Administrator has determined is not a "Final Map" for purposes of the definition of such term herein due to its proposed development as a condominium project) for a proposed condominium project as determined by the Administrator to be sold to individual property owners shall be categorized as Undeveloped Property until recordation of the condominium plan for each phase of the development (which recordation may be as late as the closing of the sale of the first production unit within a building within such condominium plan). Upon recordation of a condominium plan regardless of whether separate Assessor's Parcel Numbers are assigned to units within such condominium plan, property encompassed by such condominium plan will be treated as Undeveloped Property, Developed Property and/or Approved Property based on the date of recordation of the condominium plan and the date(s) of issuance of building permit(s) with respect to such condominium plan. If determined by the Administrator that Multifamily Property within a recorded final map is to be rented or leased the recorded final map will be treated as the Final Map with respect to such portion that is to be rented or leased as determined by the Administrator.

If Parcels are annexed into IA No. 2, the Legislative Body shall adopt annexation maps to reflect the inclusion of the Annexed Property and assignment to or establishment of an appropriate Tax Zone.

C. ASSIGNED AND MAXIMUM SPECIAL TAX RATES

1. Developed Property

a. Assigned Special Tax

Upon determination that a Parcel of Taxable Property is Developed Property, (i) the Assigned Special Tax for each Parcel to be developed as Single Family Property, as shown on the Final Map, shall be the amount per RDU stated in Land Use Category 1 of Table 2 for each applicable Tax Zone per Parcel, and (ii) the Assigned Special Tax for each Parcel that is to be developed as Multifamily Property shall be the amount per RDU stated in Land Use Category 3 of Table 2 for each applicable Tax Zone times the number of RDU(s) of the Parcel as shown on the Final Map.

b. Maximum Special Tax

The Maximum Special Tax for each Parcel of Single Family Property and Multifamily Property that is Developed Property shall be the greater of: (i) the applicable Assigned Special Tax as determined by Section 3.a. above, or (ii) the amount derived by application of the Backup Special Tax.

Backup Special Tax

Upon determination that any Parcel of Taxable Property within a Final Map is Developed Property, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property within such Final Map shall be established as the Assigned Special Tax for such Parcel at the time such Parcel's Developed Property Assigned Special Tax rate is established.

Notwithstanding the foregoing, (i) if the number of RDU(s) of Single Family Property in a specific Final Map or the proposed number of RDU(s) identified in Table 1 below is subsequently changed or modified from the corresponding number listed in Table 1, then the Backup Special Tax shall be recalculated for each RDU(s) of Single Family Property within the changed or modified area of said Final Map not classified as Approved Property such that the modified Backup Special Tax for each such RDU(s) of Single Family Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in such Final Map or the allocable share of the proposed number of RDU(s) identified in Table 1 below divided by the number of RDU(s) of Single Family Property within such changed or modified area after the change or modification in such Final Map; and (ii) if the number of RDU(s) of Multifamily Property in a specific Final Map or the proposed number of RDU(s) identified in Table 1 below is subsequently changed or modified from the corresponding number listed in Table 1, then the Backup Special Tax shall be recalculated for the RDU(s) of Multifamily Property within the changed or modified area of said Final Map not classified as Approved Property such that the modified Backup Special Tax for each RDU of Multifamily Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in the Final Map or the allocable share of the proposed number of RDU(s) identified in Table 1 below divided by the revised number of RDU(s) of Multifamily Property within such changed or modified area after the change or modification in the Final Map. For

purposes of determining the modified Backup Special Tax, calculate as provided by the following formula:

$$ABST = RDU_1 \times AST$$

$$MBST = ABST \div RDU_2$$

These terms have the following meaning:

ABST = the original aggregate Backup Special Tax

RDU₁ = the original RDU(s) for a specific Final Map listed in Table 1

AST = the Assigned Special Tax listed in Table 2

RDU₂ = the modified RDU(s) for a specific Final Map from that listed in Table 1

MBST = the modified Backup Special Tax per RDU

For a Parcel that is not changed or modified from the proposed RDU(s) listed in Table 1 below in a Final Map, the Backup Special Tax shall not be recalculated.

For each Fiscal Year following Fiscal Year 2008-2009, beginning with the Fiscal Year following the Fiscal Year in which Bonds are first issued, the Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.

2. Approved Property

a. Assigned Special Tax

Upon determination that a Parcel of Taxable Property is Approved Property, (i) the Assigned Special Tax for each Parcel to be developed as Single Family Property, as shown on the Final Map, shall be the amount per RDU stated in

Land Use Category 2 of Table 2 for each applicable Tax Zone, per Parcel, and (ii) the Assigned Special Tax for each Parcel that is to be developed as Multifamily Property shall be the amount per RDU stated in Land Use Category 4 of Table 2 for each applicable Tax Zone, times the number of RDU(s) of the Parcel as shown on the Final Map.

b. Maximum Special Tax

The Maximum Special Tax for each Parcel of Single Family Property and Multifamily Property that is Approved Property shall be the greater of: (i) the applicable Assigned Special Tax as determined by Section C.2. a. or (ii) the amount derived by application of the Backup Special Tax.

Backup Special Tax

Upon determination that a Parcel of Taxable Property is Approved Property, the Backup Special Tax for each Parcel of Single Family Property and Multifamily Property that is Approved Property shall be established as the Assigned Special Tax for such Parcel at the time such Taxable Property becomes Approved Property.

Notwithstanding the foregoing, (i) if the number of RDU(s) of Single Family Property in a specific Final Map or the proposed number of RDU(s) identified in Table 1 below is subsequently changed or modified from the corresponding number listed in Table 1, then the Backup Special Tax shall be recalculated for the RDU(s) of Single Family Property within the changed or modified area of said Final Map not classified as Developed Property such that the modified Backup Special Tax for each such RDU(s) of Single Family Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in such Final Map or the allocable share of the proposed number of RDU(s) identified in Table 1 below divided by the number of RDU(s) of Single Family Property within such changed or modified area after the change or modification in such Final Map; and (ii) if the number of RDU(s) of Multifamily Property in a specific Final Map or the proposed number of RDU(s) identified in Table 1 below is subsequently changed or modified from the corresponding number listed in Table 1, then the Backup Special Tax shall be recalculated for each RDU(s) of Multifamily Property within the changed or modified area of said Final Map not classified as

Developed Property such that the modified Backup Special Tax for each RDU of Multifamily Property within such changed or modified area shall equal the aggregate Backup Special Tax within the changed or modified area prior to the change or modification in the Final Map or the allocable share of the proposed number of RDU(s) identified in Table 1 below divided by the revised number of RDU(s) of Multifamily Property within such changed or modified area after the change or modification in the Final Map. For purposes of determining the modified Backup Special Tax, calculate as provided by the following formula:

$$ABST = RDU_1 \times AST$$

$$MBST = ABST \div RDU_2$$

These terms have the following meaning:

ABST = the original Aggregate Backup Special Tax

RDU₁ = the original RDU(s) for a specific Final Map listed in Table 1

AST = the Assigned Special Tax listed in Table 2

RDU₂ = the modified RDU(s) for a specific Final Map from that listed in Table 1

MBST = the modified Backup Special Tax per RDU

For a Parcel that is not changed or modified from the proposed RDU(s) list in Table 1 below to a Final Map, the Backup Special Tax shall not be recalculated.

For each Fiscal Year following Fiscal Year 2008-2009, beginning with the Fiscal Year following the Fiscal Year in which Bonds are first issued, the Backup Special Tax shall increase by an amount equal to 2.00% of the Backup Special Tax in effect for the prior Fiscal Year.

3. **Undeveloped Property, Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property.**

Maximum Special Tax

The Maximum Special Tax for each Parcel of Undeveloped Property is the amount per Acre stated in Land Use Category 5 of Table 2 for each applicable Tax Zone times the Acreage of the Parcel. The Maximum Special tax for each parcel of Taxable Non-Residential Property, Taxable Property Owners' Association Property and Taxable Public Property is the amount per Acre stated in Land Use Category 5 and 6 of Table 2 for each applicable Tax Zone, times the Acreage of the Parcel.

TABLE 1

Proposed RDU(s) per Final Map

Final Map	Single Family RDU(s)	Multifamily RDU(s)
TR 28786	72	
TR 28788	123	
TR 28789	131	
TR 28790	156	
TR 28791	80	
TR 28792	85	
TR 28793	77	
TR 28794	65	
TR 28859	163	
TR 28920	20	
TR 29015	18	
TR 30812	29	
TR 32181	52	
TR 32186	108	
TR 32794	159	
TR 32873	144	
TR 32934	15	
TR 33610	0	210
Total	1,497	210

4. Multiple Land Use Property

In some instances a Parcel of Developed Property or Approved Property may be assigned to more than one Land Use Category. The Assigned Special Tax levied on the Residential Property portion of such a Parcel shall be the sum of the Assigned Special Tax levies for the applicable Residential Property Land Use Category on that Parcel. The Maximum Special Tax levied on the Residential Property portion of a Parcel shall be the Maximum Special Tax levy that can be imposed on the applicable Residential Property Land Use Category on that Parcel. The Taxable Non-Residential portion of such Parcel shall be subject to the Special Tax in Accordance with the Fifth step of Section D, below.

For purposes of calculating the Backup Special Tax for the Residential Land Use Category of Developed Property or Approved Property under such circumstances, the Acreage assigned to the Residential Land Use Category shall be based on the proportion of Residential Floor Area and Non-Residential Floor Area that is built for each Land Use Category as compared with the sum of Residential Floor Area and Non-Residential Floor Area that is built on the Parcel. The Administrator shall determine all allocations made under this section, and all such allocations shall be final.

TABLE 2
Assigned Special Taxes

Land Use Category	Tax able RDU/Acre	Tax	Tax	Tax	Tax	Tax
		Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
1 – Developed Single Family Property	RDU	\$1,201	\$1,453	\$1,047	\$1,263	\$1,030
2 – Approved Single Family Property	RDU	\$1,201	\$1,453	\$1,047	\$1,263	\$1,030
3 – Developed Multifamily Property	RDU	\$895	\$1,147	\$740	\$956	\$723
4 – Approved Multifamily Property	RDU	\$895	\$1,147	\$740	\$956	\$723
5 – Undeveloped Property	Acre	\$4,224	\$9,844	\$5,148	\$7,826	\$3,902
6 – Taxable Public Property, Taxable Property Owners' Association Property and Taxable Non-Residential Property	Acre	\$4,224	\$9,844	\$5,148	\$7,826	\$3,902

For each Fiscal Year following Fiscal Year 2008-2009, beginning with the Fiscal Year following the Fiscal Year in which Bonds are first issued, the Assigned Special Tax shall

increase by an amount equal to 2.00% of the Assigned Special Tax in effect for the prior Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2008-2009 and for each following Fiscal Year, the Legislative Body shall levy the Special Tax on all Taxable Property in accordance with the following steps:

First: Prior to the issuance of any series of Bonds, the Special Tax shall be levied on each Parcel of Developed Property at 100% of the applicable Assigned Special Tax to be applied to the Cost of the Facilities; subsequent to the issue of the first series of Bonds, the Special Tax shall be levied Proportionately on each Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax as needed to satisfy the Special Tax Requirement;

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

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax levied on each Parcel of Approved Property and Developed Property shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Parcel as needed to satisfy the Special Tax Requirement;

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

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

Seventh: If additional moneys are needed to satisfy the Special Tax Requirement after the first six steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property at up to 100% of the 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 used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District 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

Land conveyed or irrevocably offered for dedication to a public agency after formation of IA No. 2 and not otherwise exempt pursuant to this Section E, shall be subject to the levy of Special Tax pursuant to Section 53317.3 or 53317.5 of the Act.

The Special Tax shall not be imposed on up to the number of Acres listed in the Table 3 for properties of Public Property and Property Owner's Association Property within each Tax Zone of IA No. 2. The District shall classify Parcels of Public Property, Property Owners' Association Property or Non-Residential Property within IA No. 2 which include, but are not limited to, public streets, water and sewer facilities, flood control drainage channels, public schools or property dedicated and restricted for the use as open space, park, habitat reserve, golf course clubhouse or recreational facilities, non-residential development, or utility property utilized for the provision of services to the public or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement as Exempt Property, provided that no such classification would cause the sum of all Exempt Acres with each Tax Zone to be more than the Acres to be Exempt as set forth in Table 3.

TABLE 3
Exempt Acres

Tax Zone	Acres to be Exempt
Tax Zone 1	25.40
Tax Zone 2	65.54
Tax Zone 3	29.58
Tax Zone 4	34.39
Tax Zone 5	144.48

After the limit of Exempt Acres listed in Table 3 within each Tax Zone of IA No. 2 has been reached, the Special Tax obligation for any additional Public Property and/or Property Owners' Association Property and/or Non-residential Property may be prepaid at the Maximum Special Tax obligation calculated pursuant to the provision within Section H. below. Until the Special Tax obligation is prepaid as provided for in the preceding sentence, the Parcel will be categorized as Taxable Non-Residential Property, Taxable Property Owners' Association Property and/or Taxable Public Property and will be subject to the levy of the Special Tax as provided for in the Fifth step, the Sixth step and the Seventh step of Section D. above.

For Annexed Property, increases to the stated amount of Exempt Property Acres as stated in Table 3 above, or as modified for the appropriate Tax Zone being annexed into will be increased as determined appropriate by the Administrator.

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

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that IA No. 2 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 if so collected, a delinquent penalty of 10% of the Special Tax will attach at 5:00 p.m. on the date the Special Tax becomes delinquent and interest at 1.5% per month of the Special Tax will attach on the July 1st after the delinquency date and the first of each month thereafter until redeemed.

G. APPEALS

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

H. PREPAYMENT OF SPECIAL TAX

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by a Parcel of Developed Property, Approved Property, Undeveloped Property for which a Building Permit has been issued, Public Property, Property Owners' Association Property and/or Non-Residential Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Parcel may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment.

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

An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within fifteen (15) business days of receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the IA NO. 2 in calculating the Prepayment Amount (as defined below) for the Parcel. Within fifteen (15) business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than sixty (60) business days prior to any redemption date, unless authorized by the

Administrator, for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

1. Prepayment in Full – Before the Administrator has determined that Bonds have been issued in a sufficient amount to finance the full Cost of the Facilities.

The prepayment before Bonds have been issued in a sufficient amount to finance the full Cost of the Facilities, as determined by the Administrator, shall equal the present value of the remaining payments of the Special Tax (computed assuming that the Maximum Special Tax will be paid through Fiscal Year 2049-2050, starting from December 10th of the Fiscal Year of the prepayment and annually on such date thereafter and using a discount rate equal to 7.00% per year), and the estimated Assumed Administrative Expenses. The IA No. 2 shall not be obligated to redeem Bonds, but may apply the Prepayment Amount and Bond Redemption Amount towards the Cost of the Facilities, subject to the terms of the Indenture.

With respect to any Parcel for which the Special Tax obligation is prepaid in full, the Legislative Body shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien for the Parcel, and the obligation of the Parcel to pay the Special Tax shall cease.

2. Prepayment in Full – After the Administrator has determined that Bonds have been issued in a sufficient amount to finance the full Cost of the Facilities.

The Prepayment Amount (defined below) after the full Cost of the Facilities, as determined by the Administrator, has been provided for shall equal the sum of the amount as identified below (capitalized terms as defined below):

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

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

1. Confirm that no Special Tax delinquencies apply to such Parcel.
2. For Parcels of Developed Property or Approved Property compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel. For Parcels of Undeveloped Property, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel as though it was already designated as Developed Property, based upon the Building Permits which has been issued for the Parcel. For Parcels of Public Property, Property Owners' Association Property and/or Non-residential Property to be prepaid, compute the Maximum Special Tax obligation for the current Fiscal Year for the Parcel.
3. Divide the Maximum Special Tax obligation derived pursuant to paragraph 2 by the total calculated Maximum Special Taxes for the current Fiscal Year for the entire IA No. 2.

4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "*Bond Redemption Amount*").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
6. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
7. Determine the Special Taxes levied on the Parcel in the current Fiscal Year which have not yet been paid.
8. Compute the amount the Administrator reasonably expects to derive from the investment of the Bond Redemption Amount, the Redemption Premium, and the amount derived pursuant to paragraph 6 from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
9. Add the amounts derived pursuant to paragraphs 6 and 7 and subtract the amount derived pursuant to paragraph 8 (the "*Defeasance Amount*").
10. Verify the administrative fees and expenses, including the costs of computation of the Prepayment Amount, the costs to invest the Prepayment Amount, the costs of redeeming the Outstanding Bonds, and the costs of recording notices to evidence the prepayment of the Maximum Special Tax obligation for the Parcel and the redemption of Outstanding Bonds (the "*Administrative Fees and Expenses*").
11. The reserve fund credit (the "*Reserve Fund Credit*") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit (the "*Prepayment Amount*").
13. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and the Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds, make debt service payments, or be applied towards the Cost of the Facilities. The Administrative Fees and Assumed Administrative Expenses shall be retained by the IA No. 2.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or integral multiple thereof will be

retained in the appropriate fund established under the Indenture to be used with the next redemption from other Maximum Special Tax obligation prepayments of Outstanding Bonds or to make debt service payments.

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

3. Prepayment in Part

The Maximum Special Tax on a Parcel of Developed Property or Approved Property may be partially prepaid in increments of \$5,000. For purposes of determining the partial prepayment amount, the provisions of Sections H.1. or H.2. shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section H.1. or H.2.

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

A = the Administrative Fees and Expenses determined pursuant to Section H.2

With respect to any Parcel for which the Maximum Special Tax obligation is partially prepaid, the Administrator shall (i) distribute the Partial Prepayment as provided in the first paragraph of H.1. or Paragraph 13 of Section H.2., as applicable, and (ii) indicate in the records of the IA No. 2 that there has been a Partial Prepayment for the Parcel and that a portion of the Maximum Special Tax obligation equal to the remaining percentage (1.00 - F) of the Maximum Special Tax obligation will, and the Special Tax shall continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Special Taxes shall be levied for the period necessary to satisfy the Special Tax Requirement, but in no event shall Special Taxes be levied after Fiscal Year 2049-2050 or the payment of all debt service due on the *final series of Bonds*, whichever is sooner.

EXHIBIT A

BOUNDARY MAP

**COMMUNITY FACILITIES DISTRICT NO. 07-1
(NEWPORT / I-215 INTERCHANGE)**

PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

RECORDED THIS _____ DAY OF _____ 2007 AT THE
 HOUR OF _____ O'CLOCK _____ AT IN BOOK _____ PAGE(S) _____ OF
 MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS IN THE
 OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE,
 STATE OF CALIFORNIA.

FEE: _____ NO. _____
 LARRY W. WARD, RIVERSIDE COUNTY ASSESSOR-CLERK-RECORDER

BY: _____ DEPUTY

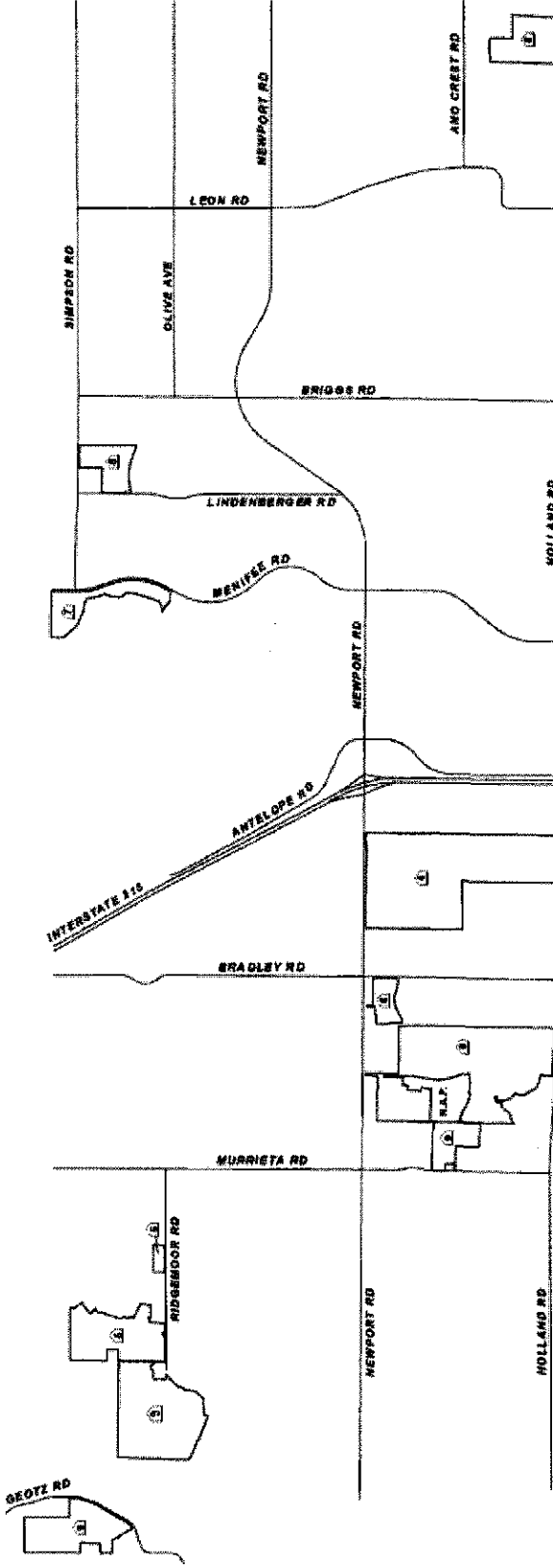
SHEET INDEX MAP

LEGEND
 _____ DISTRICT BOUNDARY
 [X] SHEET NUMBER

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED
 BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 07-1
 (NEWPORT / I-215 INTERCHANGE) OF THE COUNTY OF RIVERSIDE,
 STATE OF CALIFORNIA WAS APPROVED BY THE RIVERSIDE COUNTY
 BOARD OF SUPERVISORS AT A REGULAR MEETING THEREOF
 HELD ON THE _____ DAY OF _____ 2007.
 BY ITS RESOLUTION NO. _____

CLERK OF THE BOARD OF SUPERVISORS
 FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS
 OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA,
 THIS _____ DAY OF _____ 2007.

CLERK OF THE BOARD OF SUPERVISORS



NOT TO SCALE

ALBERT A. WEBB
 THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF
 THE COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215
 INTERCHANGE) OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.
 COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008

PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

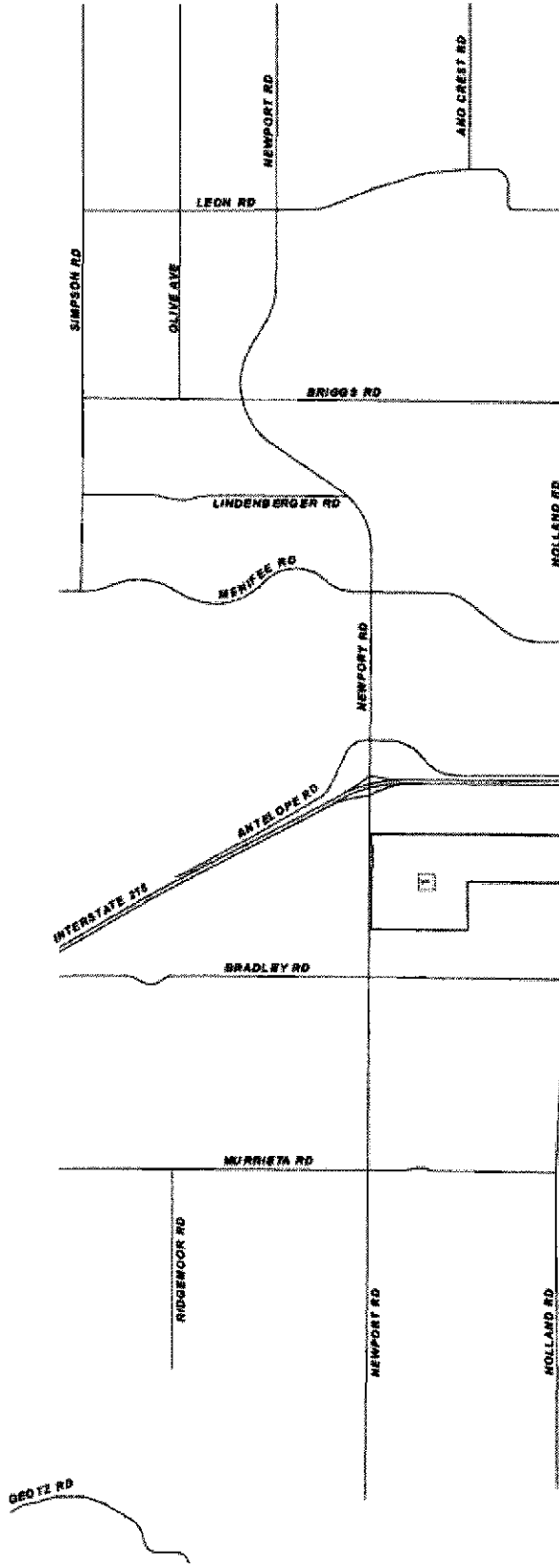
OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 1

LEGEND

— DISTRICT BOUNDARY

— IMPROVEMENT AREA NUMBER



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT FOR THE PURPOSES OF THE COUNTY OF RIVERSIDE. THIS MAP IS A PUBLIC RECORD TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

NOT TO SCALE



PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

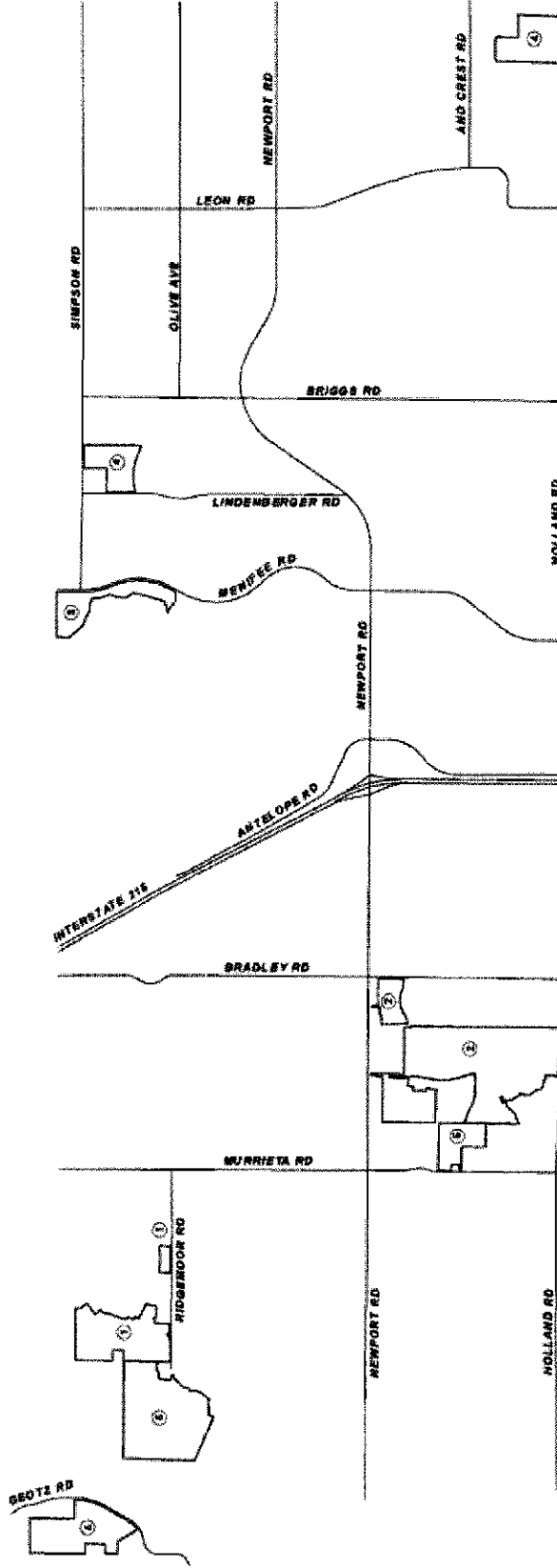
IMPROVEMENT AREA NO. 2

TAX ZONE INDEX MAP

LEGEND

— DISTRICT BOUNDARY

⊗ TAX ZONE NUMBER



ALBERT A. WEBB
 THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF
 THE DISTRICTS AND THE TAX ZONES OF THE COMMUNITY FACILITIES DISTRICT NO. 07-1
 THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE
 COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008
 ANNELENE CORRECTION

NOT TO SCALE

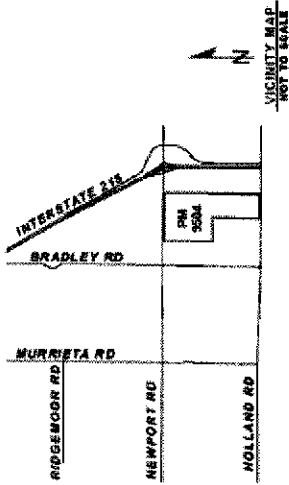


PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 1



LEGEND

	TRACT BOUNDARY
	PARCEL LINE
XXXXXXXXXX-X	APN
TR XXXXX	TRACT MAP

PM 9504

NEWPORT RD	
36008001-0	36008005-4
36008002-1	36008006-5
36008003-2	36008007-6
36008004-3	36008008-7
36008009-8	36011001-2
	36011002-3
	36013001-4
	36013002-5
HOLLAND RD	



NOT TO SCALE

ALBERT A. WEBB
 REGISTERED PROFESSIONAL LAND SURVEYOR
 COUNTY OF RIVERSIDE, CALIFORNIA
 LICENSE NO. 10000
 THIS BOUNDARY MAP ACCURATELY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FIELD DATA COMPILED BY ALBERT A. WEBB FOR FISCAL YEAR 2007-2008.

PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 2

TAX ZONE 1

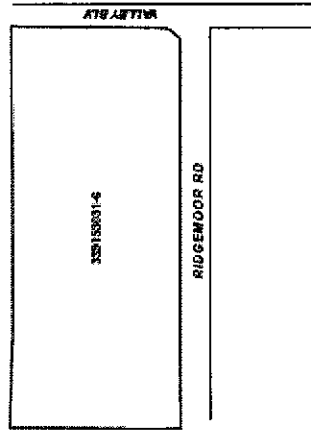
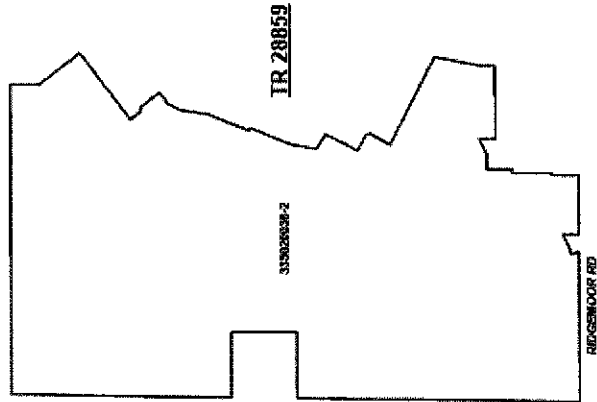
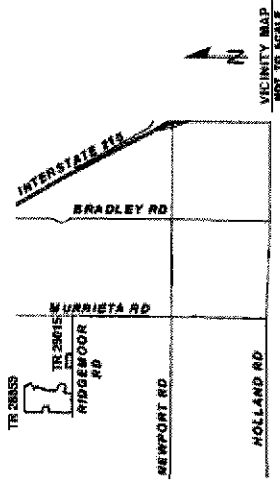
LEGEND

TRACT BOUNDARY

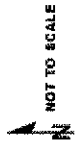
PARCEL LINE

XXXXXXXXXX APN

TR XXXXX TRACT MAP



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSORS MAPS FOR FISCAL YEAR 2017/2018.



PROPOSED BOUNDARY MAP

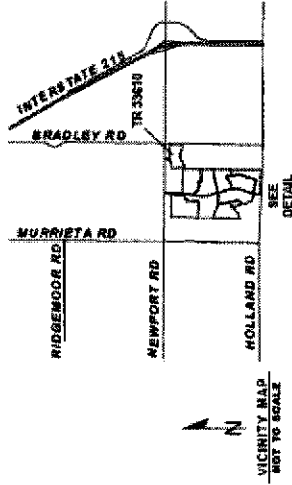
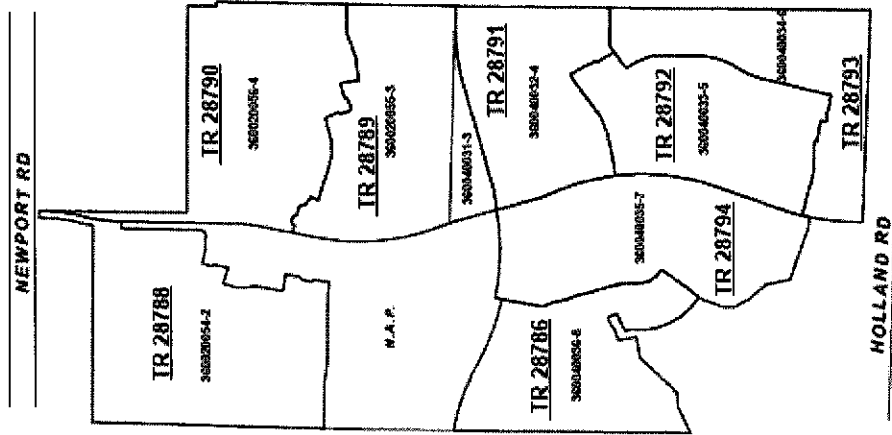
COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 2

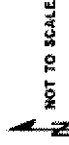
TAX ZONE 2

IR 33610



SEE DETAIL

- LEGEND**
- TRACT BOUNDARY
 - PARCEL LINE
 - XXXXXXXXXX-X APN
 - TR XXXXX TRACT MAP



ALBERT A. WEBB
 ENGINEER-CORPORATION
 1000 N. CALIFORNIA STREET
 ANAHEIM, CALIFORNIA 92815
 THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT AND PARCELS THEREIN. THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

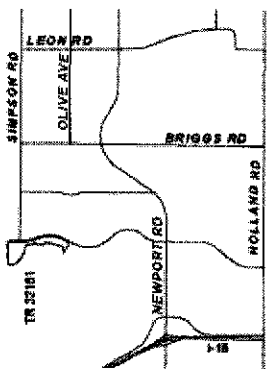
PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

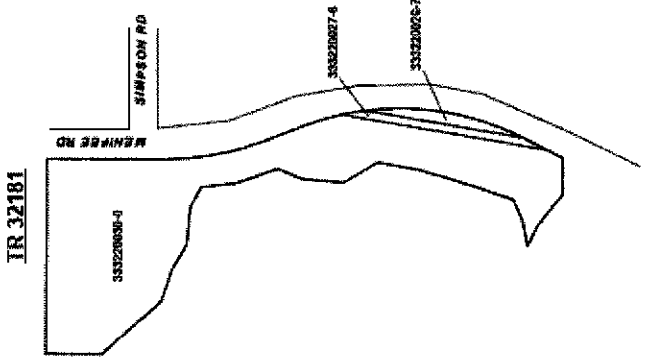
IMPROVEMENT AREA NO. 2

TAX ZONE 3

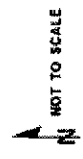


LEGEND

---	TRACT BOUNDARY
---	PARCEL LINE
XXXXXXX-X	APN
TR XXXXX	TRACT MAP



ALBERT A. WEBB
 THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT FOR DETAILS CONCERNING THE BOUNDARIES OF THE DISTRICT AS SHOWN ON THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

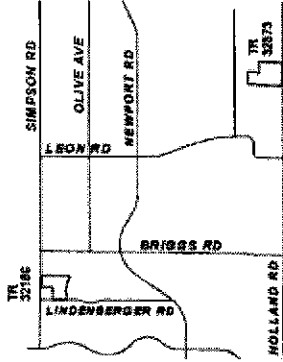


PROPOSED BOUNDARY MAP COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 2

TAX ZONE 4



VICINITY MAP
NOT TO SCALE

LEGEND

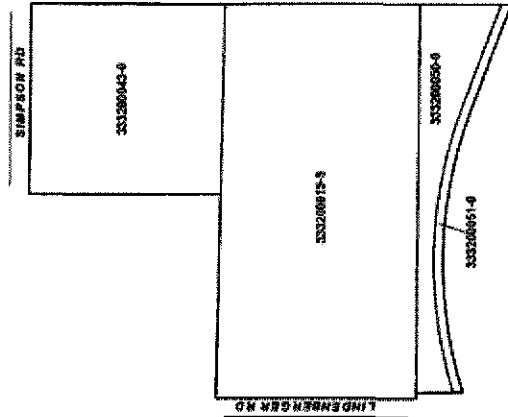
TRACT BOUNDARY

PARCEL LINE

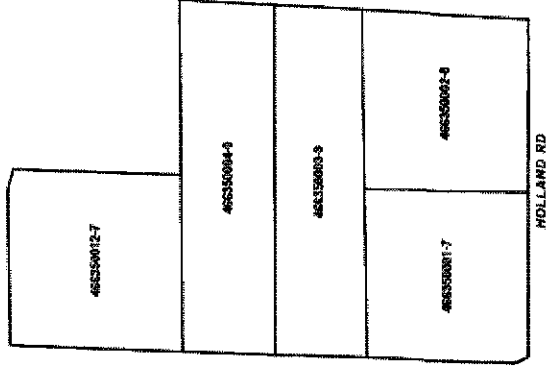
XXXXXXXXXX-X APN

TR XXXXX TRACT MAP

IR 32186



IR 32873



ALBERT A. WEBB
REGISTERED PROFESSIONAL SURVEYOR
COUNTY OF RIVERSIDE, CALIFORNIA
NO. 10000
EXPIRES 12/31/2021

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT PERMITTED CONCERNING THE IMPROVEMENT AREA NO. 2 AND THE APNS AND THE COUNTY ASSESSORS MAPS FOR FISCAL YEAR 2017/2018.

NOT TO SCALE

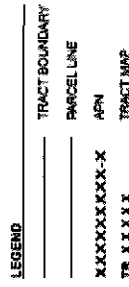
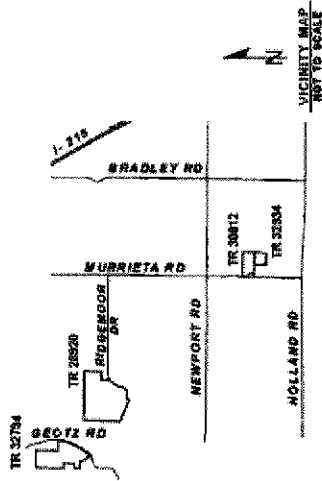
PROPOSED BOUNDARY MAP

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

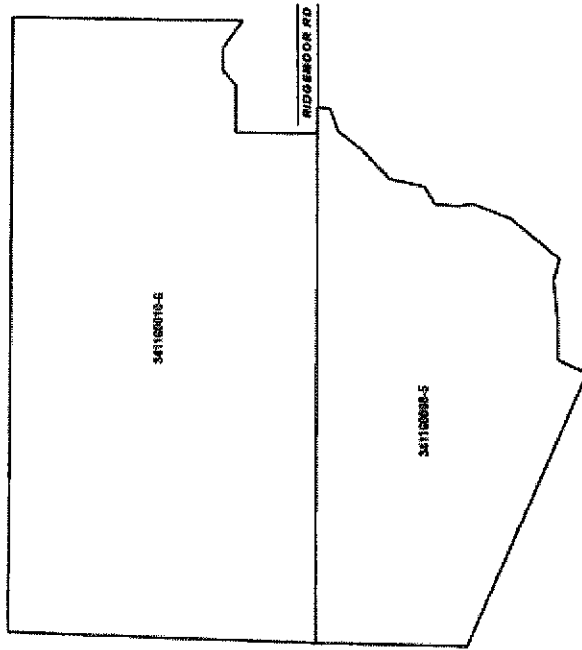
OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA NO. 2

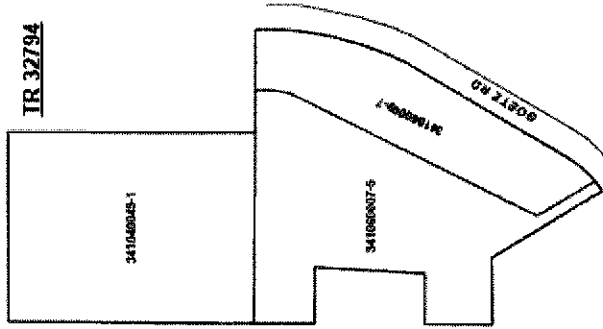
TAX ZONE 5



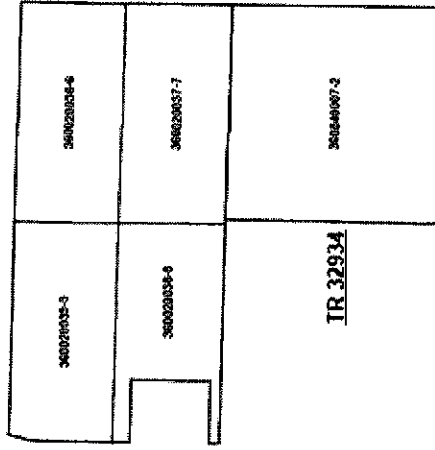
IR 28920



IR 32794



IR 30812



IR 32934



ALBERT WEBB
ASSOCIATES
INCORPORATED
REGISTERED SURVEYOR

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE) OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA. THE DATES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008.

EXHIBIT B

BOUNDARIES – POTENTIAL ANNEXATION AREA

**COMMUNITY FACILITIES DISTRICT NO. 07-1
(NEWPORT / I-215 INTERCHANGE)**

BOUNDARIES - POTENTIAL ANNEXATION AREA

COMMUNITY FACILITIES DISTRICT NO. 07-1 (NEWPORT / I-215 INTERCHANGE)

OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

RECORDED THIS _____ DAY OF _____ 2007 AT THE
 HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ (PAGE(S))
 MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, IN THE
 OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE,
 STATE OF CALIFORNIA.

FEE: _____ NO. _____
 LARRY W. WARD, RIVERSIDE COUNTY ASSESSOR-CLERK-RECORDER

BY: _____ DEPUTY

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING POTENTIAL
 ANNEXATION AREA OF COMMUNITY FACILITIES DISTRICT NO. 07-1
 (NEWPORT / I-215 INTERCHANGE), OF THE COUNTY OF RIVERSIDE,
 STATE OF CALIFORNIA, WAS APPROVED BY THE RIVERSIDE COUNTY
 BOARD OF SUPERVISORS AT A REGULAR MEETING THEREOF
 HELD ON THE _____ DAY OF _____ 2007.
 BY ITS RESOLUTION NO. _____ 2007.

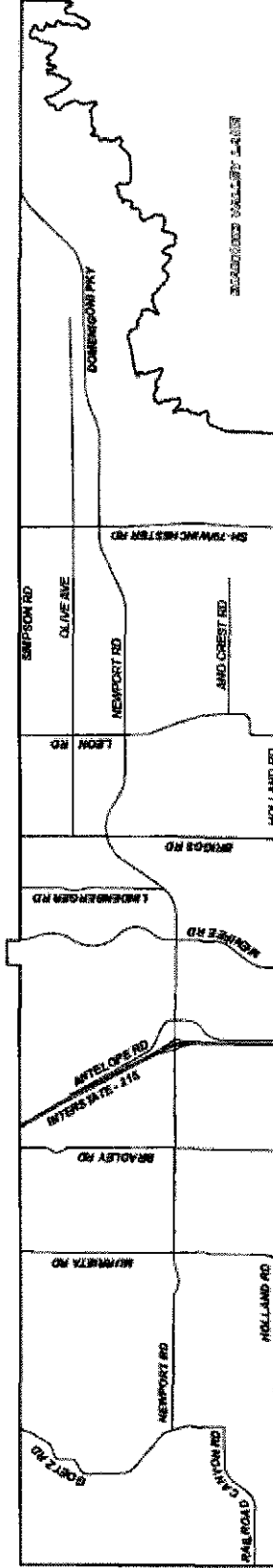
CLERK OF THE BOARD OF SUPERVISORS
 FILED IN THE OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS
 OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA,
 THIS _____ DAY OF _____ 2007.

CLERK OF THE BOARD OF SUPERVISORS

LEGEND
 _____ POTENTIAL ANNEXATION AREA

POTENTIAL

POTENTIAL



CLERK SIGNATURE

RECORDED



NOT TO SCALE

ALBERT A. WEBB
 THIS RELIABLE MAP CORRECTLY SHOWS THE BOUNDARIES OF
 THE POTENTIAL ANNEXATION AREA. FOR DETAILS CONCERNING
 THE BOUNDARIES OF THE POTENTIAL ANNEXATION AREA OF THE
 COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2007-2008
 CONTACT THE COUNTY ASSESSOR'S OFFICE.