

RESOLUTION NO. _____

RESOLUTION OF INTENTION OF THE BOARD OF DIRECTORS OF EASTERN MUNICIPAL WATER DISTRICT TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 2018-82 (ASPEN POINTE) OF EASTERN MUNICIPAL WATER DISTRICT, TO AUTHORIZE THE LEVY OF A SPECIAL TAX TO PAY THE COST OF ACQUIRING OR CONSTRUCTING CERTAIN IMPROVEMENTS AND EXPENSES AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS

WHEREAS, Eastern Municipal Water District (the “District”) has received petitions signed by the owners of all of the land within the boundaries of the territory which is proposed for inclusion in a community facilities district, which petitions meet the requirements of Sections 53318 and 53319 of the Government Code of the State of California (the “Government Code”); and

WHEREAS, the Board of Directors of the District (the “Board of Directors”) desires to adopt this resolution of intention as provided in Section 53321 of the Government Code to establish a community facilities district consisting of the territory described in Attachment “A” hereto (which attachment is incorporated herein by this reference), which the Board of Directors hereby determines shall be known as “Community Facilities District No. 2018-82 (Aspen Pointe) of Eastern Municipal Water District” (“CFD No. 2018-82”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code (the “Act”), to finance the purchase, construction, expansion, improvement or rehabilitation of certain public water and sewer improvements described in Attachment “B” hereto (which attachment is incorporated herein by this reference) to be owned and operated by the District, including all furnishings, equipment and supplies related thereto (collectively, the “Improvements”), which Improvements have a useful life of five years or longer, and (2) the incidental expenses to be incurred in connection with financing the Improvements, and forming and administering CFD No. 2018-82 described in Attachment “B” (the “Incidental Expenses”); and

WHEREAS, the Board of Directors further intends to approve an estimate of the costs of the Improvements and the Incidental Expenses for CFD No. 2018-82; and

WHEREAS, it is the intention of the Board of Directors to consider financing the Improvements and the Incidental Expenses through the formation of CFD No. 2018-82, and the sale of bonds in an amount not to exceed \$3,000,000 (the “Obligations”) and the levy of a special tax to pay debt service on the Obligations, provided that the bond sale and special tax levy are approved at elections to be held for CFD No. 2018-82; and

WHEREAS, the Improvements are to be owned by Eastern Municipal Water District, and the Board of Directors desires to approve the form of a Funding, Construction and Acquisition Agreement (the “Funding Agreement”), by and among Eastern Municipal Water District, Forestar

(USA) Real Estate Group, Inc., a Delaware corporation (“Forestar”), and D.R. Horton Los Angeles Holding Company, Inc., a California corporation (“DR Horton,” and, together with Forestar, the “Owners”); and

THE BOARD OF DIRECTORS OF EASTERN MUNICIPAL WATER DISTRICT HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

1. The above recitals are true and correct.
2. A community facilities district is proposed to be established under the terms of the Act to be designated as “Community Facilities District No. 2018-82 (Aspen Pointe) of Eastern Municipal Water District.” It is further proposed that the boundaries of CFD No. 2018-82 shall be the legal boundaries as described in Attachment “A” hereto which boundaries shall, upon recordation of the boundary map for CFD No. 2018-82, include the entirety of any parcel subject to taxation by CFD No. 2018-82 and as depicted on the map of CFD No. 2018-82 which is on file with the Secretary of the Board of Directors. The Secretary of the Board of Directors is hereby directed to sign the original map of CFD No. 2018-82 and record it with all proper endorsements thereon with the County Recorder of the County of Riverside within 15 days after the adoption of this resolution, all as required by Section 3111 of the Streets and Highways Code of the State of California.
3. The Improvements proposed to be provided within CFD No. 2018-82 are public facilities as defined in the Act. The District is authorized by law to construct, acquire, own and operate the Improvements for the benefit of CFD No. 2018-82. The Board of Directors hereby finds and determines that the description of the Improvements herein is sufficiently informative to allow taxpayers within CFD No. 2018-82 to understand what the funds of CFD No. 2018-82 may be used to finance, the Improvements and the Incidental Expenses expected to be incurred, including the cost of planning and designing the Improvements, the costs of forming CFD No. 2018-82, issuing bonds, levying and collecting a special tax within CFD No. 2018-82 and the annual administration costs of CFD No. 2018-82. The Board of Directors hereby finds that the proposed Improvements are necessary to meet increased demands placed upon the District as a result of development occurring in CFD No. 2018-82. The Improvements may be acquired from one or more of the property owners as completed public improvements or may be constructed by or on behalf of the District and paid for with bond proceeds. Any portion of the Improvements may be financed through a lease or lease-purchase arrangement if the District hereafter determines that such arrangement is of benefit to the District.
4. Except where funds are otherwise available, it is the intention of the Board of Directors to levy annually in accordance with the procedures contained in the Act a special tax, secured by a continuing lien against all non-exempt real property in CFD No. 2018-82, sufficient to pay for the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Improvements and Incidental Expenses, including the establishment and replenishment of any reserve funds deemed necessary by the District, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash) attributable to CFD No. 2018-82. The rate and method

of apportionment and manner of collection of the special tax in CFD No. 2018-82 is described in detail in Attachment "C" attached hereto (which attachment is incorporated herein by this reference). Attachment "C" allows each landowner within CFD No. 2018-82 to estimate the maximum amount that may be levied against each parcel. In the first year in which such special tax is levied, the levy shall include an amount sufficient to repay to the District all amounts, if any, transferred to CFD No. 2018-82 pursuant to Section 53314 of the Act and interest thereon.

If special taxes of CFD No. 2018-82 are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time, (ii) such tax shall not be levied later than the 2060-61 Fiscal Year and (iii) under no circumstances shall such special tax in CFD No. 2018-82 be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within CFD No. 2018-82 by more than ten percent (10%).

The Board of Directors hereby determines the rate and method of apportionment of the special tax set forth in Attachment "C" to be reasonable. The special tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act; and such special tax is not on or based upon the value or ownership of real property. In the event that a portion of the property within CFD No. 2018-82 shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in Attachment "C," the Board of Directors shall, on behalf of CFD No. 2018-82 cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Attachment "C," to the extent necessary upon the remaining property within CFD No. 2018-82 which is not exempt in order to yield the special tax revenues required for the purposes described in this Section. The obligation to pay special taxes may be prepaid as provided in the rate and method of apportionment set forth in Attachment "C," as such rate and method may be amended hereafter.

5. A combined public hearing (the "Hearing") on the establishment of CFD No. 2018-82, the proposed rate and method of apportionment of the special tax and the proposed issuance of bonds to finance the Improvements and the Incidental Expenses shall be held at 9:00 a.m., or as soon thereafter as practicable, on May 1, 2019, at the Board of Directors Meeting Room, 2270 Trumble, Perris, California. If the Board of Directors determines to form CFD No. 2018-82, a special election will be held to authorize the issuance of the bonds and the levy of the special tax in accordance with the procedures contained in Government Code Section 53326. If such election is held, the proposed voting procedure at the election will be a landowner vote with each landowner who is the owner of record of land within CFD No. 2018-82 at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within CFD No. 2018-82. Ballots for the special election may be distributed by mail or by personal service.

6. At the time and place set forth above for the Hearing, the Board of Directors will receive testimony as to whether CFD No. 2018-82 shall be established and as to the method of apportionment of the special tax and shall consider:

(a) if an ad valorem property tax is currently being levied on property within CFD No. 2018-82 for the exclusive purpose of paying principal of or interest on bonds, lease payments or other indebtedness incurred to finance construction of capital facilities; and

(b) if the capital facilities to be financed and constructed by CFD No. 2018-82 will provide the same services as were provided by the capital facilities mentioned in subsection (a); and

(c) if the Board of Directors makes the findings specified in subsections (a) and (b) above, it will consider appropriate action to determine that the total annual amount of ad valorem property tax revenue due from parcels within CFD No. 2018-82, for purposes of paying principal and interest on the debt identified in subsection (a) above, shall not be increased after the date on which CFD No. 2018-82 is created, or after a later date determined by the Board of Directors with the concurrence of the legislative body which levied the property tax in question.

7. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within CFD No. 2018-82, may appear and be heard.

8. Each District officer who is or will be responsible for providing the Improvements within CFD No. 2018-82, if it is established, is hereby directed to study CFD No. 2018-82 and, at or before the time of the Hearing, file a report with the Board of Directors containing a brief description of the public improvements by type which will in his or her opinion be required to meet adequately the needs of CFD No. 2018-82 and an estimate of the cost of providing those public improvements, including the cost of environmental evaluations of such improvements and an estimate of the fair and reasonable cost of any Incidental Expenses to be incurred.

9. The District may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred by the District in creating CFD No. 2018-82. The District may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the Board of Directors, with or without interest.

10. The Secretary of the Board of Directors is hereby authorized and directed to publish a notice (the "Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of CFD No. 2018-82. The Secretary of the Board of Directors is further authorized and directed to mail a copy of the Notice to each of the landowners within the boundaries of CFD No. 2018-82 at least 15 days prior to the Hearing. The Notice shall contain the text or a summary of this Resolution, the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners in CFD No. 2018-82 and a description of the proposed voting procedure for the election required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.

11. The reasonably expected maximum principal amount of the Obligations is Three Million Dollars (\$3,000,000).

12. Except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the Board of Directors hereby reserves to itself all rights and powers set forth in Section 53344.1 of the Act (relating to tenders in full or partial payment).

13. The form of the Funding Agreement presented at this meeting is hereby approved; and any one of the President or Secretary of the legislative body of the District, or the General Manager, the Deputy General Manager, or the Director of Finance of Eastern Municipal Water District (collectively, the "Authorized Officers") are hereby authorized and directed to execute the Funding Agreement in the form hereby approved, with such additions thereto and changes therein as the officer or officers executing the same deem necessary or desirable, such approval to be conclusively evidenced by the execution and delivery thereof.

14. This Resolution shall be effective upon its adoption.

Dated: March 20, 2019

Ronald W. Sullivan, President

I hereby certify that the foregoing is a full, true and correct copy of the Resolution adopted by the Board of Directors of Eastern Municipal Water District at its meeting held on March 20, 2019.

ATTEST:

Sheila Zelaya, Board Secretary

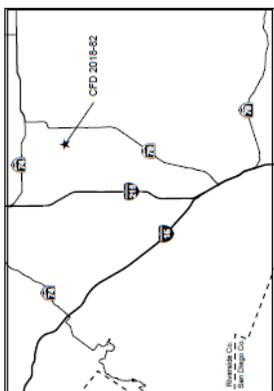
(SEAL)

ATTACHMENT A

TERRITORY

SHEET 1 OF 1

PROPOSED BOUNDARY MAP COMMUNITY FACILITIES DISTRICT NO. 2018-82 (ASPEN POINTE) EASTERN MUNICIPAL WATER DISTRICT COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



VICINITY MAP



I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES, PARCELS, LOTS, AND UNITS DESCRIBED HEREON, HAS BEEN PREPARED BY THE EASTERN MUNICIPAL WATER DISTRICT, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND APPROVED BY THE BOARD OF DIRECTORS OF EASTERN MUNICIPAL WATER DISTRICT AT A REGULAR MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2015.

SECRETARY OF THE BOARD OF DIRECTORS
EASTERN MUNICIPAL WATER DISTRICT

FILED IN THE OFFICE OF THE SECRETARY OF THE BOARD OF DIRECTORS THIS _____ DAY OF _____, 20____.

SECRETARY OF THE BOARD OF DIRECTORS
EASTERN MUNICIPAL WATER DISTRICT

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

FEES: _____ NO. _____
PETER ALDANA, ASSESSOR, COUNTY CLERK, RECORDER

BY: _____
DEPUTY

LEGEND

PROPOSED CFD BOUNDARY

PARCEL BOUNDARY

XXXXXXXXXX ASSESSOR'S PARCEL NUMBER

THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT PARCELS, LOTS, AND UNITS DESCRIBED HEREON, AND THE DIMENSIONS OF LOTS OR PARCELS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2018-2019.

WEBB
COUNTY OF RIVERSIDE
ASSASSOR

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ATTACHMENT B

DESCRIPTION OF PROPOSED IMPROVEMENTS AND INCIDENTAL EXPENSES

The proposed improvements include the construction, purchase, modification, expansion, improvement or rehabilitation of water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of Eastern Municipal Water District, and all appurtenances and appurtenant work in connection with the foregoing including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Improvements and any other expense incidental to the construction, acquisition, modification, expansion or rehabilitation of such Improvements.

The Improvements listed herein are representative of the types of improvements authorized to be financed by CFD No. 2018-82. Detailed scope and limits of specific projects will be determined as appropriate, consistent with the standards of the Eastern Municipal Water District. Addition, deletion or modification of descriptions of the Improvements may be made consistent with the requirements of the Board of Directors of Eastern Municipal Water District, CFD No. 2018-82 and the Act.

The Incidental Expenses to be paid from bond proceeds and/or special taxes include:

All costs associated with the creation of CFD No. 2018-82, the issuance of the bonds, the determination of the amount of special taxes to be levied, costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-82, including legal fees, fees of consultants, engineering, planning, designing and the annual administration cost of CFD No. 2018-82.

ATTACHMENT C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2018-82 (ASPEN POINTE) OF EASTERN MUNICIPAL WATER DISTRICT

A Special Tax (all capitalized terms are defined in Section A, “Definitions”, below) shall be applicable to each Parcel of Taxable Property located within the boundaries of Community Facilities District No. 2018-82 (Aspen Pointe) of Eastern Municipal Water District. The amount of Special Tax to be levied in each Fiscal Year, on a Parcel, shall be determined by the Board of Eastern Municipal Water District, acting in its capacity as the legislative body of the CFD by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property and Public Property and/or Property Owners’ Association Property that is not Exempt Property as set forth in Sections B, C, and D, below. All of the real property, 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 acreage of a Parcel as indicated on the most recent Assessor’s Parcel Map, or if the land area is not shown on the Assessor’s Parcel Map, the land area shown on the applicable Final Map, parcel map, condominium plan, or other similar instrument.

“**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 that are chargeable or allocable to carry out its duties as the Administrator as allowed by the Act, which 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 an official of the District, or designee thereof, responsible for determining the annual amount of the levy and collection of the Special Taxes.

“**Approved Property**” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to the January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) that have not been issued a Building Permit on or prior to the April 1st 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 Special Tax for the applicable Land Use Category of Developed Property as determined in accordance with Section C.1.a., below.

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

“Board” means the Board of Directors of Eastern Municipal Water District.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether in one or more series, issued by the CFD and secured by the levy of Special Taxes.

“Boundary Map” means a recorded map of the CFD which indicates the boundaries of the CFD.

“Building Permit” means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, “Building Permit” may or may not include any subsequent building permits issued or changed after the first issuance, as determined by the Administrator.

“CFD” means Community Facilities District No. 2018-82 (Aspen Pointe) of the District established pursuant to the Act.

“County” means the County of Riverside.

“Developed Property” means all Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit for new construction has been issued on or prior to the April 1st preceding the Fiscal Year in which the Special Tax is being levied.

“District” means Eastern Municipal Water District.

“Dwelling Unit” or **“(D/U)”** means a residential unit that is used or permitted to be used as a domicile by one or more persons, as determined by the Administrator.

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

“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.*) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots for which Building Permits may be issued without further subdivision.

“Fiscal Year” means the 12 month period starting on July 1 of any calendar year and ending on the following June 30.

“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” means any of the categories listed in Table 1.

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

“Multifamily Residential Property” means all Parcels of Developed Property for which a Building Permit has been issued for the purpose of constructing a building or buildings comprised of attached Dwelling Units available for rental by the general public, not for sale to an end user, and under common management, as determined by the Administrator.

“Non-Residential Property” means all Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

“Parcel(s)” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number valid as of July 1st for the Fiscal Year for which the Special Tax is being levied.

“Property Owners’ Association Property” means all Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to a property owner association, including any master or sub-association.

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

“Public Property” means all Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are 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, or any other local jurisdiction, 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 taxed and classified 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 issued for the Parcel or, if the Building Permit is not available by reference to a similar official document as selected by the Administrator.

“Residential Property” means all Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one or more Dwelling Units.

“Single Family Property” means all Parcels of Residential Property, other than Multifamily Residential Property.

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

“Special Tax Requirement” means that amount required in any Fiscal Year: (i) to pay annual debt service on all outstanding Bonds due in the calendar year which commences in such Fiscal Year; (ii) to pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) to pay Administrative Expenses; (iv) to pay any anticipated shortfall due based on Special Tax delinquencies in the prior Fiscal Year; (v) to establish or replenish any reserve funds for the outstanding Bonds or with respect to Bonds expected to be issued; (vi) until the final series of Bonds are issued as determined by the Board, to pay directly for acquisition or construction of the facilities eligible under the Act, provided that the inclusion of such amount does not increase the levy of Special Tax on Approved Property or Undeveloped Property as set forth in Step 2 or Step 3 of Section D below; less (vii) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture all as determined by the Administrator.

“Taxable Property” means all Parcels for which the Special Taxes have not been prepaid in full pursuant to Section H or that are not exempt from the Special Tax pursuant to law or Section E.

“Taxable Unit” means either a Dwelling Unit or an Acre, as shown in Table 1.

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

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2019-20 Fiscal Year, all Parcels of Taxable Property shall be classified as Developed Property, Approved Property, Undeveloped Property,

Public Property and/or Property Owners' Association Property, and 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 Single Family Property shall be further categorized into Land Use Categories based on the Residential Floor Area for such Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

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

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

a. Assigned Special Tax

The Assigned Special Tax for each Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property

Land Use Category	Taxable Unit	Residential Floor Area	Assigned Special Tax Per Taxable Unit
1. Single Family Property	D/U	Less than 1,851 sq. ft.	\$1,570
2. Single Family Property	D/U	1,851 sq. ft. to 1,950 sq. ft.	\$1,625
3. Single Family Property	D/U	1,951 sq. ft. to 2,050 sq. ft.	\$1,680
4. Single Family Property	D/U	Greater than 2,050 sq. ft.	\$1,735
5. Multifamily Residential Property	Acre	N/A	\$10,272
6. Non-Residential Property	Acre	N/A	\$10,272

b. Backup Special Tax

When a Final Map is recorded, the Backup Special Tax for a Parcel classified or to be classified as Single Family Property within such Final Map shall be determined by multiplying the Undeveloped Property Maximum Special Tax rate per Acre by the total Acreage of Taxable Property within such Final Map, excluding the Acreage associated with

Non-Residential Property, Multifamily Residential Property, Public Property and/or Property Owners' Association Property that is not Exempt Property pursuant to Section E and dividing such amount by the number of Parcels within such Final Map classified as either (i) Single Family Property or (ii) Approved Property for which a Building Permit is expected to be issued for Single Family Property (i.e., the number of residential lots).

Notwithstanding the forgoing, if Parcels classified or to be classified as Single Family Property are subsequently changed or modified by recordation of a lot line adjustment or similar instrument, then the Backup Special Tax shall be recalculated for the area that has been changed or modified using the methodology described in the preceding paragraph.

The Backup Special Tax shall not apply to Multifamily Residential Property, Non-Residential Property, Public Property, or Property Owners' Association Property.

2. Approved Property

The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Single Family Property shall be the Backup Special Tax computed pursuant to Section C.1.b above.

The Maximum Special Tax for each Parcel of Approved Property expected to be classified as Multifamily Residential Property or Non-Residential Property is shown in Table 2 below.

TABLE 2
Approved Property Maximum Special Tax

Maximum Special Tax Per Acre
\$10,272

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property is shown in Table 3 below.

TABLE 3
Undeveloped Property Maximum Special Tax

Maximum Special Tax Per Acre
\$10,272

4. Public 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 Public Property and/or Property Owners' Association Property that is not Exempt Property shall be equal to \$10,272 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2019-20 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 applicable 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 rate 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 Maximum Special Tax for Approved Property 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 for Undeveloped Property 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 for which the 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 for such Parcel as needed to satisfy the Special Tax Requirement;

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

Notwithstanding the above, under no circumstances will the Special Taxes levied in any Fiscal Year against any Parcel of Residential Property as a result of a delinquency in the payment of the Special Tax applicable to any other Parcel be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquency or default.

E. EXEMPTIONS

The Administrator shall classify as Exempt Property all Parcels of (i) Public Property and (ii) Property Owners' Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property within the CFD to less than 19.73 Acres. The Administrator shall not classify a Parcel of Public Property or Property Owners' Association Property as Exempt Property if such classification would reduce the Acreage of all Parcels of Taxable Property to less than 19.73 Acres. Such Parcels that cannot be classified as Exempt Property because such classification would reduce the Acreage of all Parcels of Taxable Property to less than 19.73 Acres will continue to be classified as Property Owners' Association Property or Public Property, and will continue to be subject to Special Taxes. The Administrator shall classify Parcels as Exempt Property in the chronological order in which such Parcels become Public Property or Property Owners' Association Property.

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 the financial obligations, and provided further that the CFD may covenant to foreclose and may actually foreclose on Parcels having delinquent Special Taxes as permitted by the Act.

G. APPEALS

Any taxpayer may file a written appeal of the Special Tax levied against his/her Parcel(s) with the Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The Administrator shall review the appeal, meet with the appellant if the Administrator deems necessary, and advise the appellant of its determination. If the Administrator agrees with the appellant, the Administrator shall grant a credit to eliminate or reduce future Special Taxes on the appellant's Parcel(s). No refunds of previously paid Special Taxes shall be made.

The Administrator shall interpret this Rate and Method of Apportionment and make determinations relative to the annual levy and administration of the Special Tax and any taxpayer who appeals, as herein specified.

Interpretations may be made by the Board by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any tax class, tax rate, method of apportionment or definition applicable to this Rate and Method of Apportionment of Special Tax.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

“CFD Public Facilities” means \$2,000,000, expressed in 2019 dollars, which shall increase by the Construction Inflation Index on July 1, 2020, 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, or (ii) shall be determined by the Board concurrently with a covenant that the CFD will not issue any more Bonds.

“Construction Fund” means, collectively, all accounts specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act and any accounts established prior to the issuance of Bonds for such purpose.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in 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 minus (i) Bond proceeds deposited in the Construction Fund and (ii) other amounts (special taxes, interest earnings, etc.) allocated to the Construction Fund that were available to fund such CFD Public Facilities prior to the date of prepayment.

“Outstanding Bonds” means all previously issued Bonds, which will remain outstanding after the payment of principal from the amount of Special Taxes that have been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Taxes.

1. **Prepayment in Full**

The Special Tax obligation may be prepaid and permanently satisfied for (i) Parcels of Developed Property, (ii) Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Parcels of Approved Property or Undeveloped Property for which a Building Permit has not been issued, and (iv) Parcels of Public Property or Property Owners’ Association Property that are not Exempt Property pursuant to Section E. The Special Tax obligation applicable to a Parcel may be fully prepaid and the obligation to pay the Special Tax for such Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation for such Parcel shall provide the Administrator with written notice of intent to prepay, and within 5 business days of

receipt of such notice, the Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the Prepayment Amount (as defined below) for the Parcel. Within 15 days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the Prepayment Amount for the Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms are defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
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 a Parcel of Developed Property, compute the Maximum Special Tax for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for the Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Parcel. For a Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property Owners' Association Property to be prepaid, compute the Maximum Special Tax for the Parcel.
3. Divide the Maximum Special Tax derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at build out of all Parcels of Taxable Property based on the applicable Maximum Special Tax for all such Parcels of Taxable Property not including any Parcels for which the Special Tax obligation has been previously 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 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 Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the portion of the Future Facilities Costs applicable to the Parcel (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 on which Bonds can be redeemed from Special Tax prepayments.
9. Determine 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 Bond Redemption Amount and the Redemption Premium 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 of the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Special Tax obligation for the Parcel 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.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000, or an integral multiple thereof, will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Special Tax 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 pursuant to paragraph 9 above, the Administrator shall remove the current Fiscal Year's Special Tax levy for the Parcel from the County tax roll. With respect to any Parcel for which the Special Tax obligation is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien for the Parcel, and the obligation to pay the Special Tax for such Parcel shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied on all Parcels of Taxable Property after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses.

Tenders of Bonds in prepayment of the Special Tax obligation may be accepted upon the terms and conditions established by the Board pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

2. Prepayment in Part

The Special Tax obligation for a Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section H.1 shall be modified as provided by the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment

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

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

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

The owner of a Parcel who desires to partially prepay the 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 percentage of the Special Tax obligation such owner wishes

to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 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 calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the Administrator shall notify such owner of the amount of the Partial Prepayment for the Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of 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 as provided in Paragraph 15 of Section H.1, and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Parcel and that a portion of the Special Tax obligation equal to the remaining percentage (1.00 - F) of Special Tax obligation will continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied on all Parcels subject to the Special Tax pursuant to Section D. 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 the Special Tax shall not be levied after Fiscal Year 2060-2061.