

RESOLUTION NO. _____

RESOLUTION OF THE BOARD OF DIRECTORS OF EASTERN MUNICIPAL WATER DISTRICT, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2012-61 (CREEKSIDE AT MENIFEE) OF EASTERN MUNICIPAL WATER DISTRICT, DECLARING ITS INTENTION TO CONSIDER AMENDING THE RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX AND ADDING CERTAIN AUTHORIZED FACILITIES

WHEREAS, after a public hearing, on May 1, 2013, the Board of Directors (the “Board of Directors”) of Eastern Municipal Water District (the “Water District”) adopted Resolution Nos. 5115 (the “Resolution of Formation”) and 5116 (the “Resolution to Incur Bonded Indebtedness”) which formed Community Facilities District No. 2012-61 (Creekside at Menifee) of the Eastern Municipal Water District (the “District” or “Community Facilities District No. 2012-61”) and called a special election on May 1, 2013 within the District on three propositions relating to the levying of a special tax, the incurring of bonded indebtedness and the establishment of an appropriations limit for the District, which were approved by more than two-thirds vote by the qualified electors within the District on May 1, 2013; and

WHEREAS, subsequent to formation, the District received a petition (the “Petition”) signed by KB Home Coastal Inc., a California corporation (the “Owner”), which currently owns the land within the District, to initiate certain changes to amend and restate the original rate and method of apportionment of special tax for the District (the “Original Rate and Method”) in the form attached as Attachment “A” hereto (“the Amended Rate and Method”); and

WHEREAS, due to a name change in the development within the District, the Owner also petitioned the District to change its name to “Community Facilities District No. 2012-61 (Autumn Winds) of Eastern Municipal Water District”; and

WHEREAS, the Owner has also requested the District enter into a Joint Community Facilities Agreement by and among the District, the Valley-Wide Park and Recreation District (the “Park District”) and the Owner, which agreement is on file with the Secretary of the Board of Directors and incorporated herein by this reference (the “Valley-Wide Joint Community Facilities Agreement”), amend the District’s list of authorized facilities to include construction or acquisition of the Park District improvements described in the Valley-Wide Joint Community Facilities Agreement and Attachment “B” hereto (the “Park District Improvements”);

NOW, THEREFORE, THE BOARD OF DIRECTORS OF EASTERN MUNICIPAL WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

1. Each of the above recitals is true and correct and is adopted by the legislative body of the District.

2. The Board of Directors declares its intention to conduct proceedings pursuant to Article 3.5 of the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code (the "Act") for (i) the proposed amendment to the Original Rate and Method for the District in the form of the Amended Rate and Method, and (ii) to add the Park District Improvements attached as Attachment "B" hereto to the list of improvements authorized to be financed by the District.

3. The proposed Amended Rate and Method and manner of collection of the special tax for the District is described in detail in Attachment "A" hereto (which attachments are incorporated herein by this reference). Attachment "A" allows each landowner within the District 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 the District pursuant to Section 53314 of the Act and interest thereon.

If special taxes of the District 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 will such special tax be increased in any fiscal year as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

The Board of Directors hereby determines the proposed Amended Rate and Method set forth in Attachment "A" hereto 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 the District shall become for any reason exempt, wholly or partially, from the levy of the special tax specified in Attachment "A", the Board of Directors shall, on behalf of the District, cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Attachment "A", to the extent necessary upon the remaining property within the District 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 proposed Amended Rate and Method set forth in Attachment "A" as such rate and method of apportionment may be amended hereafter.

4. The Board of Directors hereby changes the name of the District to "Community Facilities District No. 2012-61 (Autumn Winds) of Eastern Municipal Water District." The Board of Directors hereby directs the District and its consultants to record a new boundary map reflecting the name change and such other updates which do not change the boundaries of the District as shown in Attachment "C" hereto.

5. A public hearing (the "Hearing") on amending the Original Rate and Method in accordance with the proposed Amended Rate and Method and adding the Park District Improvements to the list of improvements authorized to be financed by the District shall be

held at 9:00 a.m., or as soon thereafter as practicable, on June 5, 2019, at the Board of Directors Meeting Room, 2270 Trumble Road, Perris, California. Should the Board of Directors determine to take action to effectuate the foregoing, a special election will be held to authorize the levy of the special tax pursuant to the proposed Amended Rate and Method and to authorize adding the Park District Improvements to the list of improvements authorized to be financed by the District 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 the District at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within the District. Ballots for the special election may be distributed by mail or by personal service.

5. At the time and place set forth above for the Hearing, the Board of Directors will receive testimony regarding amending the Original Rate and Method in accordance with the proposed Amended Rate and Method and adding the Park District Improvements to the list of improvements authorized to be financed by the District. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within the District may appear and be heard.

6. The Secretary of the Board is hereby 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 the District. 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 the District 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.

7. Pursuant to Section 53316.2 of the Act, the Board hereby approves the Valley-Wide Joint Community Facilities Agreement substantially in the form on file with the Secretary of the Board, and determines that the Valley-Wide Joint Community Facilities Agreement will be beneficial to the residents of the territory served by the Park District and included within the jurisdictional boundaries of proposed the District. The President or the General Manager of the District or the Director of Finance of the District and the Secretary of the Board is hereby authorized and directed to execute and deliver the Valley-Wide Joint Community Facilities Agreement in the form presented at this meeting with such changes, insertions and omissions as may be approved by the officer or officers executing such agreement, said execution being conclusive evidence of such approval.

8. Except as set forth herein, no other amendments or modifications to the District are being considered at this time.

9. This Resolution shall be effective upon its adoption.

Dated: April 17, 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 April 17, 2019.

ATTEST:

Sheila Zelaya, Board Secretary

(SEAL)

ATTACHMENT "A"

PROPOSED AMENDED RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 2012-61 (AUTUMN WINDS) 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. 2012-61 (Autumn Winds). 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 Owner's Association Property that is not Exempt Property as set forth in Sections B., C., and D., below. All of the real property within the CFD, 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 of the CFD 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 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 each Land Use Category of Developed Property, as determined in accordance with Section C.1.a., below.

“Backup Special Tax” means the Special Tax amount 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 by a boundary line the extent of the territory identified to be subject to the levy of Special Taxes.

“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. 2012-61 (Autumn Winds) of the District established pursuant to the Act.

“City” means the City of Menifee.

“County” means the County of Riverside.

“Developed Property” means one or more Parcels of Taxable Property 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 for which a Building Permit for new construction has been issued on or prior to 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 intended 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 1352 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 the maximum Special Tax, determined in accordance with Section C., which can be levied in any Fiscal Year on any Parcel.

“Multifamily Residential Property” means one or more Parcels of Developed Property that consists of 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 one or more 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 within the CFD shown on an Assessor’s Parcel Map with an assigned parcel number valid as of July 1st for the Fiscal Year for which the Special Tax is being levied.

“Property Owner’s Association Property” means one or more 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 Owner’s 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 Owner’s Association Property.

“Public Property” means one or more 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, City 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 original 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 one or more 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 one or more 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 Bond expected to be issued; (vi) to pay directly for acquisition or construction of the CFD facilities eligible under the Act; 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 one or more Parcels whose Special Taxes have not 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 one or more Parcels of Taxable Property not classified as Developed Property, Approved Property, Public Property or Property Owner’s Association Property.

B. ASSIGNMENT TO LAND USE CATEGORY

Each Fiscal Year, commencing with the 2019-2020 Fiscal Year, all Parcels of Taxable Property within the CFD shall be classified as either Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owner's 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 on the following page.

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	1,400 sq. ft. or less	\$1,730
2. - Single Family Property	D/U	1,401 sq. ft. to 1,550 sq. ft.	\$1,775
3. - Single Family Property	D/U	1,551 sq. ft. to 1,700 sq. ft.	\$1,815
4. - Single Family Property	D/U	1,701 sq. ft. to 1,850 sq. ft.	\$1,860
5. - Single Family Property	D/U	1,851 sq. ft. to 2,000 sq. ft.	\$1,905
6. - Single Family Property	D/U	2,001 sq. ft. to 2,150 sq. ft.	\$1,950
7. - Single Family Property	D/U	2,151 sq. ft. or more	\$1,995
8. - Multifamily Residential Property	Acre	N/A	\$12,632
9. - Non Residential Property	Acre	N/A	\$12,632

b. Backup Special Tax

The Backup Special Tax Rate for a Parcel within a Final Map classified as Single Family Property shall be \$1,979, and has been established based on the land use configurations shown on the subdivision map for Tract No. 30322-1. In the event any portion of Tract No. 30322-1 is modified by the City, the Backup Special Tax Rate for all Parcels of Single Family Property in such tract, which are classified as Single Family Property shall be determined by multiplying the Undeveloped Property Maximum Special Tax per Acre by the total Acreage of Taxable Property within the Final Map which created such parcel, excluding the Acreage associated with Non-Residential Property, Multifamily Residential Property, Public Property and Property Owner’s Association Property, and dividing such amount by the number of Parcels within such Final Map classified as (i) Single Family Property and (ii) Approved Property for which a Building Permit is expected to be issued for Single Family Property (i.e., the number of single family residential lots).

The Backup Special Tax shall not apply to Multifamily Residential Property, Non-Residential Property, Public Property, or Property Owner’s 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 classified as Multifamily Residential Property or Non Residential Property shall be \$12,632 per Acre.

3. Undeveloped Property

The Maximum Special Tax for each Parcel of Undeveloped Property is shown in Table 2 below.

TABLE 2

Undeveloped Property Maximum Special Tax

Maximum Special Tax Per Acre
\$12,632

4. Public Property and/or Property Owner’s Association Property that is not Exempt Property pursuant to the provisions of Section E.

The Maximum Special Tax for each Parcel of Taxable Public Property and/or Property Owners Association Property shall be equal to the product of the applicable Undeveloped Property Maximum Special Tax rate per Acre in Table 2 multiplied by the Acreage of such Parcel.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2019-2020 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;

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;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for such Parcel;

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 and Property Owner's Association Property at up to 100% of the Maximum Special Tax for such Parcel.

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 or (ii) Property Owners' Association Property; provided that such classification shall not reduce the Acreage of all Taxable Property within the CFD to less than 20.99 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 20.99 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 20.99 Acres will be classified as Property Owners' Association Property or Public Property, and will continue to be subject to Special Taxes. The Administrator shall classify such Parcels as Exempt Property in the chronological order in which property becomes 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 of the CFD, 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 on 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 \$2,800,000, 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 of the CFD, 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, an account 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 account 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 Construction Funds and accounts and (ii) other amounts (special taxes, interest earnings, etc.) allocated to Construction Funds and accounts 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 amount of Special Taxes that have been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

1. Prepayment in Full

The Maximum Special Tax obligation may only 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) Approved 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 Maximum Special Tax obligation applicable to a 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 the Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Maximum Special Tax obligation for the Parcel shall provide the Administrator with written notice of intent to prepay, and within 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 (defined below) 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 the Maximum Special Tax at build out of all Parcels of Taxable Property based on the applicable Maximum Special Tax for Parcels of Developed 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 amount of Future Facilities Costs for 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 Maximum 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 Maximum 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 Maximum 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 Maximum 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 Maximum 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 Maximum Special Tax obligation

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

The owner of a Parcel who desires to partially prepay the Maximum Special Tax obligation for the Parcel shall notify the Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax obligation, (ii) the percentage of the Maximum 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 Maximum 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 the Special Tax obligation will continue on the Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

For each year that any Bonds are outstanding the Special Tax shall be levied on all Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse the CFD for uncollected Special Taxes associated with the levy of such Special Taxes, but the Special Tax shall not be levied after 2060-2061 Fiscal Year.

ATTACHMENT "B"

DESCRIPTION OF PARK DISTRICT IMPROVEMENTS

The proposed Valley-Wide Recreation and Park District improvements include park and recreation facilities to be owned and operated by Valley-Wide Recreation and Park District 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.

