

City of Lake Elsinore

CFD No. 2006-1 (Summerly) IA JJ and KK

Public Hearing Report



Table of Contents

Sections

1	Introduction	1
2	Description of Improvements and Services	2
3	Cost Estimate	4
4	Proposed Development	6
5	Rate and Method of Apportionment	7
6	Certifications	8

Tables

2-1	Authorized Bond Amount	3
3-1	Improvement Cost Estimate	4
3-2	Services Cost Estimate	5
4-1	Proposed Development	6

Appendices

A	Rate and Method of Apportionment
B	Boundary Map
C	Resolution of Intention

Background

On January 24, 2017, the City Council of the City of Lake Elsinore (the "City"), did, pursuant to the provisions of the "Mello-Roos Community Facilities Act of 1982", being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California, (the "Act") ordered the filing of a written Public Report (the "Public Hearing Report") with the City for the proposed Community Facilities District. This Community Facilities District shall be referred to as Community Facilities District No. 2006-1 (Summerly) Improvement Areas JJ and KK of the City of Lake Elsinore (the "CFD No. 2006-1 IA JJ and KK" or the "District").

Purpose of Public Hearing Report

On January 24, 2017, the City Council adopted a Resolution of Intention to form CFD No. 2006-1 IA JJ and KK, Resolution No. 2017-016 (the "Resolution of Intention"), and ordering said Public Hearing Report. This Public Hearing Report is submitted pursuant to Section 53321.5 of the Act, as well as the Resolution of Intention. The law and the Resolution of Intention directs that said Public Hearing Report generally contain a description of the public improvements and services to be provided, and an estimate of the costs of providing such improvements and services.

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

NOW, THEREFORE, the undersigned, authorized representative of Spicer Consulting Group, LLC, the appointed responsible officer, or person directed to prepare the Public Hearing Report, does hereby submit the following data:

Improvements

A Community Facilities District may pay for facilities which may include all amounts necessary to eliminate any fixed special assessment liens or to pay, repay, or defease any obligation to pay for any indebtedness secured by any tax, fee, charge, or assessment levied, provide for the purchase, construction, expansion, or rehabilitation for any real or other tangible property with an estimated useful life of five (5) years or longer, which is necessary to meet increased demands placed upon local agencies as a result of development and/or rehabilitation occurring within the District.

The types of facilities that are proposed by CFD No. 2006-1 IA JJ and KK and financed with the proceeds of special taxes and bonds issued by CFD No. 2006-1 IA JJ and KK consist of the construction, purchase, modification, expansion, rehabilitation and/or improvement of (i) drainage, library, park, roadway and other public facilities of the City, including the foregoing public facilities which are included in the City's fee programs with respect to such facilities and authorized to be financed under the Mello-Roos Community Facilities Act of 1982, as amended (the "City Facilities"); (ii) water and sewer facilities including the acquisition of capacity in the sewer system and/or water system of the Elsinore Valley Municipal Water District which are included in Elsinore Valley Municipal Water District's water and sewer capacity and connection fee programs (the "Water District Facilities" and together, with the City Facilities, the "Facilities"); and (iii) all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities (the "Facilities Incidental Expenses"), and to finance the incidental expenses to be incurred, including:

- a) The cost of engineering, planning and designing the Facilities; and
- b) All costs, including costs of the property owner petitioning to form the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and
- c) Any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities.

Such Facilities need not be physically located within the District. Capitalized terms used and not defined herein shall have the meaning set forth in the Rate and Method of Apportionment of Special Taxes for the District.

Services

The services which may be funded with proceeds of the Services Special Tax, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing parks, open space and storm drains (may include reserves for replacement) (collectively, the "Services").

In addition to payment of the cost and expense of the foregoing services, proceeds of Services Special Tax may be expended to pay "Administrative Expenses," as said term is defined in the Rate and Method of Apportionment (together, the "Services Incidental Expenses").

Incidental Expenses

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

All costs associated with the creation of CFD No. 2006-1 IA JJ and KK, the issuance of bonds, the determination of the amount of special taxes to be levied, costs incurred in order to carry out the authorized purposes of CFD No. 2006-1 IA JJ and KK, including legal fees, fees of consultants, engineering, planning, designing and the annual costs to administer CFD No. 2006-1 IA JJ and KK and any obligations.

The description of the eligible public facilities, services and incidental expenses above are preliminary and general in nature. The final plans and specifications approved by the applicable public agency may show substitutes or modifications in order to accomplish the work or serve the new development and any such substitution or modification shall not constitute a change or modification in the proceedings relating to CFD No. 2006-1 IA JJ and KK.

Bond Authorization Amounts

The maximum authorized bonded indebtedness for CFD No. 2006-1 is as follows:

Table 2-1
Authorized Bond Amount

Improvement Area	Authorized Bond Amount
A	\$4,000,000
B	\$6,500,000
CC	\$4,000,000
EE	\$7,500,000
FF	\$5,500,000
HH	\$9,000,000
II	\$12,500,000
JJ	\$7,000,000
KK	\$5,700,000
1	\$0
Total	\$61,700,000

Below is the estimated cost of services to be provided to the District.

- a) The cost estimate of facilities, including incidental expenses, to be financed through the issuance of CFD No. 2006-1 IA JJ and KK Bonds is estimated to be \$5,055,000 for Improvement Area JJ and \$4,050,000 for Improvement Area KK based upon current dollars (Fiscal Year 2017-18).
- b) For further particulars please reference Table 3-1 below and incorporated herein by reference.
- c) Pursuant to Section 53340 of the Act, the proceeds of any special tax levied and collected by CFD No. 2006-1 IA JJ and KK may be used only to pay for the cost of providing public facilities, services, and incidental expenses. As defined by the Act, incidental expenses include, but are not limited to, the annual costs associated with determination of the amount of special taxes, collection of special taxes, payment of special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the Community Facilities District. The incidental expenses associated with the annual administration of CFD No. 2006-1 IA JJ and KK are estimated to be \$20,000 for each Improvement Area in the initial Fiscal Year. However, it is anticipated that the incidental expenses will vary due to inflation and other factors that may not be foreseen today, and the actual incidental expenses may exceed these amounts accordingly.

Table 3-1
Facilities Cost Estimate

City of Lake Elsinore Facilities	Total Cost Estimate ¹	Previously Financed ²	Remaining ³
Flood Control/Storm Drain Improvements	\$11,721,206	\$3,169,125	\$8,552,081
Park/Landscape Improvements			
Phase 1 (Approx. 12 Acres)	\$6,960,000	\$0	\$6,960,000
Phase 2 (Approx. 4 Acres)	\$1,740,000	\$0	\$1,740,000
Phase 3 (Approx. 8 Acres)	\$3,050,000	\$0	\$3,050,000
Total City Facilities	\$23,471,206	\$3,169,125	\$20,302,082
City of Lake Elsinore Fees	Total Cost Estimate ¹	Previously Financed ²	Remaining ³
City Impact Fees	\$5,914,441	\$2,847,887	\$3,066,554
Total City Fees	\$5,914,441	\$2,847,887	\$3,066,554
Elsinore Valley Municipal Water District	Total Cost Estimate ¹	Previously Financed ²	Remaining ³
Sewer/Water/Reclaimed Water Facilities	\$13,215,000	\$0	\$13,215,000
Water and Sewer Connection Fee	\$25,412,534	\$4,988,042	\$20,424,492
Total EVMWD	\$38,013,181	\$4,988,042	\$33,639,492
Total Eligible Fees and Improvements	\$68,013,181	\$11,005,054	\$57,008,127
Estimated Net Bond Proceeds from IA JJ			\$4,006,031
Estimated Net Bond Proceeds from IA KK			\$3,159,259
Total Funded by Bond Proceeds from IA JJ and KK⁴			\$7,165,290
Total Fees/Improvements Remaining to be Funded			\$49,842,837

¹ Represents the total facilities and fees eligible for funding.

² Represents the actual amount reimbursed to the master developer through issuance of bonds in the past for various IA's for CFD 2006-1.

³ Represents the amount to be reimbursed to the master developer through the issuance of bonds in the future for various IA's for CFD 2006-1.

⁴ Represents the estimated net bond proceed amounts for IA JJ and KK, subject to change based on market conditions.

Table 3-2
Services Cost Estimate

Description	IA JJ	IA KK
Parks/Open Space/Storm Drain Maintenance	\$48,569	\$30,614
Administration	\$9,714	\$6,123
Reserves	\$6,476	\$4,082
Total Services	\$64,759	\$40,819

The CFD No. 2006-1 Improvement Area JJ and KK encompasses five phases of the 293-acre master planned community known as Summerly being developed by multiple merchant builders owned by McMillan Summerly, LLC. CFD No. 2006-1 Improvement Area JJ and KK will develop 211 and 133 single family residential units within each Improvement Area respectively. These Improvement Areas consists of Tracts 31920-14, 31920-15, and 31920-24 for IA JJ and Tracts 31920-21 and 31920-22 for IA KK located in the City on approximately 62.22 gross acres. A summary of the development phases within CFD 2006-1 IA JJ and KK and the estimated number of units to be developed within each Improvement Area is shown below:

Table 4-1
Proposed Development

Improvement Area	Development Phase	Net Acres	Single Family Units
JJ	TR 31920-14	9.68	51
	TR 31920-15	9.77	65
	TR 31920-24	8.99	95
KK	TR 31920-21	9.86	75
	TR 31920-22	8.65	58
Totals		46.95	344

The boundaries of the District are included within the development generally known as Summerly. The primary entrance to CFD No. 2006-1 IA JJ and KK is located at the intersection of Village Parkway with Diamond Drive approximately 0.8 miles from the I-15 freeway. Although not in CFD No. 2006-1 IA JJ and KK, the Links at Summerly, a par 72 golf course, is part of the greater Summerly development. The Lake Elsinore Diamond Stadium is located adjacent to the Summerly development across Diamond Drive. As of Fiscal Year 2016-17 the proposed CFD 2006-1 IA JJ includes the following Assessor's Parcel Numbers: 371-270-004, 371-270-020, 371-270-022, 371-270-049, and a portion of 371-270-054. The following Assessor's Parcel Numbers are included in CFD 2006-1 IA KK: 371-040-015 and 371-040-016

A map showing the boundaries of CFD No. 2006-1 is included in Appendix B.

The Rate and Method of Apportionment allows each property owner within CFD No. 2006-1 IA JJ and KK to estimate the annual Special Tax amount that would be required for payment. The Rate and Method of Apportionment of the Special Tax established pursuant to these proceedings, is attached hereto as Appendix A (the "Rate and Method"). The Special Tax will be collected in the same manner and at the same time as ordinary ad valorem property taxes and shall be subject to the same penalties, the same procedure, sale and lien priority in the case of delinquency; provided, however, that the CFD Administrator may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner if necessary to meet the financial obligations, and provided further that CFD No. 2006-1 IA JJ and KK may covenant to foreclose and may actually foreclose on parcels having delinquent Special Taxes as permitted by the Act.

All of the property located within CFD No. 2006-1 IA JJ and KK, unless exempted by law or by the Rate and Method proposed for CFD No. 2006-1 IA JJ and KK, shall be taxed for the purpose of providing necessary facilities to serve the District. On each July 1, commencing on July 1, 2018 the Maximum Special Tax shall increase by two percent (2.0%). The Boundary Map for CFD No. 2006-1 IA JJ and KK is attached hereto as Appendix B. Pursuant to Section 53325.3 of the Act, the tax imposed "is a Special Tax and not a special assessment, and there is no requirement that the tax be apportioned on the basis of benefit to any property." The Special Tax may be based on the benefit received by property, the cost of making facilities or authorized services available or other reasonable basis as determined by the City, although the Special Tax may not be apportioned on an ad valorem basis pursuant to Article XIII A of the California Constitution. A property owner within the District may choose to prepay in whole or in part the Special Tax. The available method for so doing is described in Section G of the Rate and Methods ("Prepayment of Special Tax for Facilities").

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 CFD No. 2006-1 IA JJ and KK for uncollected Special Taxes associated with the levy of such Special Taxes, but the Special Tax shall not be levied after 2058-2059 Fiscal Year.

For particulars as to the Rate and Methods for CFD No. 2006-1 IA JJ and KK, see the attached and incorporated in Appendix A.

Based on the information provided herein, it is my opinion that the described services herein are those that are necessary to meet increased demands placed upon the City of Lake Elsinore as a result of development occurring within the CFD No. 2006-1 IA JJ and KK and benefits the lands within said CFD No. 2006-1 IA JJ and KK. Further, it is my opinion that the special tax rates and method of apportionment, as set forth herein, are fair and equitable, uniformly applied and not discriminating or arbitrary.

Date: March 14, 2017

SPICER CONSULTING GROUP, LLC



SHANE SPICER
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STATE OF CALIFORNIA

Appendix A

❖ Rate and Method of Apportionment



SPICER CONSULTING
GROUP

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES FOR
CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1
(SUMMERLY)
IMPROVEMENT AREA JJ**

A Special Tax shall be levied on all Assessor's Parcels in City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Improvement Area JJ ("CFD No. 2006-1 IA JJ") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2006-1 IA JJ, unless exempted by law or by the provisions hereof, 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 land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1 IA JJ: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 IA JJ or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 IA JJ or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 IA JJ or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 IA JJ or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 IA JJ for any other administrative purposes of CFD No. 2006-1 IA JJ, including attorney's fees and other costs, and attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means all Assessor's 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 before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax for Facilities" means the Special Tax for Facilities for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) below.

"Authorized Facilities" means those authorize improvements, as listed in an exhibit to the Resolution of Formation.

"Backup Special Tax for Facilities" means the Special Tax for Facilities applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(c) below.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Services as determined in accordance with Section I below, and providing for the levy and collection of the Special Taxes.

"CFD" or **"CFD No. 2006-1 IA JJ"** means Improvement Area JJ of CFD No. 2006-1 as identified on the boundary map for CFD No. 2006-1.

"CFD No. 2006-1" means City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) established by the City under the Act.

"CFD No. 2006-1 IA JJ Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax for Facilities within CFD No. 2006-1 IA JJ have been pledged.

"City" means the City of Lake Elsinore.

"City Council" means the City Council of the City of Lake Elsinore, acting as the Legislative Body of CFD No. 2006-1 IA JJ, or its designee.

"County" means the County of Riverside.

"Developed Property" means, with respect to the Special Tax for Facilities, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax for Facilities is being levied. Once an Assessor's Parcel has been designated Developed Property, the Maximum Special Tax for Facilities cannot be reduced for any reason unless a prepayment in full or partial prepayment is made pursuant to Section G.

"Final Subdivision" means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

"Fiscal Year" means the period commencing on July 1st of any year and ending the following June 30th.

"Funding Agreement" means the Funding, Construction and Acquisition Agreement entered into by the City, on behalf of CFD No. 2006-1, as it may be amended.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2006-1 IA JJ Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax for Facilities" means the maximum Special Tax for Facilities, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

"Outstanding Bonds" means all CFD No. 2006-1 IA JJ Bonds which are deemed to be outstanding under the Indenture.

"Property Owner's Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2006-1 IA JJ that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax for Facilities levy to the Assigned Special Tax for Facilities is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax for Facilities levy per Acre to the Maximum Special Tax for Facilities per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section D below.

"Public Property" means , for each Fiscal Year, (i) any property within the boundaries of CFD No. 2006-1 IA JJ owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public use has been granted, to the federal government, the State, the County, the City, the Lake Elsinore Unified School District, or any local government or other public agency as of January 1 of the previous Fiscal Year, provided 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; or (ii) any property within the boundaries of CFD No. 2006-1 IA JJ that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

"Resolution of Formation" means the resolution of formation for CFD No. 2006-1 IA JJ.

"Special Tax(es)" means any of the special taxes authorized to be levied within CFD No. 2006-1 IA JJ pursuant to the Act.

"Special Tax for Facilities" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property to fund the Special Tax Requirement for Facilities.

"Special Tax for Facilities Requirement " means that amount required in any Fiscal Year for CFD No. 2006-1 IA JJ to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2006- 1 IA JJ Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2006-1 IA JJ Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax for Facilities delinquencies; (vi) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax for Facilities levy on Approved Property and Undeveloped Property; less (vii) a credit for funds available to reduce the annual Special Tax for Facilities levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1 IA JJ which are not exempt from the Special Tax for Facilities pursuant to law or Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2006-1 IA JJ shall be classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 6. With respect to Residential Property, the Residential Floor Area shall be determined from the most recent building permit issued for such Assessor's Parcel.

C. MAXIMUM SPECIAL TAX FOR FACILITIES

1. Developed Property

(a) Maximum Special Tax for Facilities

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax for Facilities or (ii) the amount derived by application of the Backup Special Tax for Facilities.

(b) Assigned Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities for each Land Use Class is shown below in Table 1.

TABLE 1
ASSIGNED SPECIAL TAX FOR FACILITIES FOR DEVELOPED PROPERTY
COMMUNITY FACILITIES DISTRICT NO. 2006-1 IMPROVEMENT AREA JJ
FISCAL YEAR 2017-2018

Land Use Class	Description	Residential Floor Area	Assigned Special Tax for Facilities
1	Residential Property	Less than 1,700 sq. ft	\$1,280 per unit
2	Residential Property	1,700 – 1,999 sq. ft	\$1,320 per unit
3	Residential Property	2,000 – 2,299 sq. ft	\$1,570 per unit
4	Residential Property	2,300 – 2,599 sq. ft	\$1,580 per unit
5	Residential Property	Greater than 2,599 sq. ft.	\$1,590 per unit
6	Non-Residential Property	N/A	\$12,032 per Acre

(c) Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Backup Special Tax for Facilities attributable to a Final Subdivision will equal \$12,032, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed by dividing the Backup Special Tax for Facilities attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number or residential lots). The Backup Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property therein shall equal \$12,032 multiplied by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction may be issued, exclusive of Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed exclusive of the Acreage and Assessor's Parcels of property for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued within such Final Subdivision, then the Backup Special Tax for Facilities for each Assessor's Parcel of Developed Property that is part of the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax for Facilities previously determined for an Assessor's Parcel of Developed Property that is not a part of the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified portion of the Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified portion of the Final Subdivision area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be the Backup Special Tax for Facilities per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified

portion of the Final Subdivision area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

(d) Release of Obligation to Pay and Disclose Backup Special Tax

All Assessor's Parcels within CFD No. 2006-1 IA JJ will be relieved simultaneously and permanently from the obligation to pay and disclose the backup Special Tax if the CFD Administrator determines that the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Taxes for Facilities that may be levied against all Assessor's Parcels of Developed Property results in 110% debt service coverage (i.e., the aggregate Assigned Special Taxes for Facilities that may be levied against all Developed Property in each remaining Fiscal Year based on then existing development in CFD No. 2006-1 IA JJ is at least equal to the sum of (i) the Administrative Expenses and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds).

(e) Increase in the Assigned Special Tax for Facilities and Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities, identified in Table 1 above, and Backup Special Tax for Facilities shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(f) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax for Facilities levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for Facilities for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property. Taxable Property Owner Association Property. Taxable Public Property. and Undeveloped Property

The Fiscal Year 2017-2018 Maximum Special Tax for Facilities for Approved Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall be \$12,032 per Acre and shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for Facilities in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES

Commencing with Fiscal Year 2017-2018 and for each following Fiscal Year, the City Council shall determine the Special Tax Requirement for Facilities and levy the Special Tax for Facilities until the amount of Special Tax for Facilities levy equals the Special Tax Requirement for Facilities. The Special Tax for Facilities shall be levied each Fiscal Year as follows:

Step One: The Special Tax for Facilities shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax for Facilities;

Step Two: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Facilities for Approved Property;

- Step Three: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Facilities for Undeveloped Property;
- Step Four: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax for Facilities on each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is determined through the application of the Backup Special Tax for Facilities shall be increased in equal percentages from the Assigned Special Tax for Facilities up to the Maximum Special Tax for Facilities for each such Assessor's Parcel;
- Step Five: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax for Facilities in step one (above), when (i) the City Council is no longer required to levy the Special Tax for Facilities pursuant to steps two through four above in order to meet the Special Tax Requirement for Facilities; (ii) all authorized CFD No. 2006-1 IA JJ Bonds have already been issued or the City Council has covenanted that it will not issue any additional CFD No. 2006-1 IA JJ Bonds (except refunding bonds) to be supported by the Special Tax for Facilities; and (iii) all Authorized Facilities have been constructed and/or acquired.

Further notwithstanding the above, under no circumstances will the Special Tax for Facilities levied against any Assessor's Parcel of Residential Property be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-1 IA JJ.

E. EXEMPTIONS

No Special Tax for Facilities shall be levied on up to 12.82 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA JJ. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Tax for Facilities under this section shall be subject to the levy of the Special Tax for Facilities and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax for Facilities shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2006-1 IA JJ may collect Special Tax for Facilities at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section G:

"Buildout" means, for CFD No. 2006-1 IA JJ, that all expected building permits have been issued.

"CFD Public Facilities Costs" means either \$5,125,000 in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to fund the Authorized Facilities to be provided by CFD No. 2006-1 IA JJ under the authorized bonding program for CFD No. 2006-1 IA JJ, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more CFD No. 2006-1 IA JJ Bonds (except refunding bonds) to be supported by the Special Tax for Facilities levy under this Rate and Method of Apportionment as described in Section D above.

"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 CFD 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 Costs minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund established pursuant to the Indenture that are expected to be available to finance the cost of Authorized Facilities.

"Improvement Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities eligible under the Act.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Only an Assessor's Parcel of Developed Property, or Undeveloped Property for which a building permit has been issued, may be prepaid. The obligation of the Assessor's Parcel to pay the Special Tax for Facilities may be permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2006-1 IA JJ Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax for Facilities Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest 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 Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for Facilities for the entire CFD No. 2006-1 IA JJ based on the Developed Property Special Tax for Facilities which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 2006-1 IA JJ, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Backup Special Tax for Facilities at Buildout for the entire CFD No. 2006-1 IA JJ, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "Bond Redemption Amount")
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute 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 Previously Issued Bonds.
9. Determine the Special Tax for Facilities levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the

reinvestment of the Special Tax for Facilities Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. The administrative fees and expenses of CFD No. 2006-1 IA JJ are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 IA JJ Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (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 Previously Issued 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 Previously Issued 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. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).

14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax for Facilities prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Special Tax for Facilities Prepayment Amount").

From the Special Tax for Facilities Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire CFD No. 2006-1 IA JJ Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1 IA JJ.

The Special Tax for Facilities Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 2006-1 IA JJ Bonds. In such cases, 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 prepayment of CFD No. 2006-1 IA JJ Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax for Facilities levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax for Facilities levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax for Facilities and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no Special Tax for Facilities prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax for Facilities that may be levied on Taxable Property within CFD No. 2006-1 IA JJ (after excluding 12.82 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA JJ as set forth in Section E) both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as defined in Section A above, and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds.

2. Prepayment in Part

The Special Tax for Facilities on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment Amount

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

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax for Facilities obligation

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

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax for Facilities and the percentage by which the Special Tax for Facilities shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for Facilities for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2006-1 IA JJ that there has been a partial prepayment of the Special Tax for Facilities and that a portion of the Special Tax for Facilities with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax for Facilities, shall continue to be levied on such Assessor's Parcel pursuant to Section D above.

H. TERM OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities shall be levied until Fiscal Year 2058-2059, provided however that the Special Tax for Facilities will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2006-1 IA JJ Bonds have been paid; (ii) all Authorized Facilities have been acquired and all reimbursements required by the Funding Agreement have been paid; and (iii) all other obligations of CFD No. 2006-1 IA JJ have been satisfied. Bonds shall not be issued after eighteen (18) months have elapsed following the final inspection of the last Residential Property within CFD No. 2006-1 IA JJ, except as otherwise provided in the Funding Agreement.

I. SPECIAL TAX FOR SERVICES

The following additional definitions apply to this Section I:

“Developed Multifamily Unit” means a residential dwelling unit within a building in which each of the individual dwelling units has or shall have at least one common wall with another dwelling unit and a building permit has been issued by the City for such dwelling unit on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Developed Single Family Unit” means a residential dwelling unit other than a Developed Multifamily Unit on an Assessor’s Parcel for which a building permit has been issued by the City on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Maximum Special Tax for Services” means the maximum Special Tax for Services that can be levied by CFD No. 2006-1 IA JJ in any Fiscal Year on any Assessor’s Parcel.

“Operating Fund” means a fund that shall be maintained for CFD No. 2006-1 IA JJ for any Fiscal Year to pay for the actual costs of maintenance related to the Service Area, and the applicable Administrative Expenses.

“Operating Fund Balance” means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

“Service Area” means parks, open space, and storm drains.

“Special Tax for Services” means any of the special taxes authorized to be levied within CFD No. 2006-1 IA JJ pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for CFD No. 2006-1 IA JJ equal to (i) the budgeted costs directly related to the Service Area, including maintenance, repair and replacement of certain components of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD No. 2006-1 IA JJ for the previous Fiscal Year, less (iv) the Operating Fund Balance, as determined by the CFD Administrator.

1. Rate and Method of Apportionment of the Special Tax for Services

Commencing Fiscal Year 2017-2018 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Services on (i) all Assessor’s Parcels containing a Developed Single Family Unit or Developed Multifamily Unit and (ii) all Assessor’s Parcels of Non-Residential Property, up to the applicable Maximum Special Tax for Services to fund the Special Tax Requirement for Services.

The Maximum Special Tax for Services for Fiscal Year 2017-2018 shall be \$306.91 per Developed Single Family Unit, \$153.47 per Developed Multifamily Unit, and \$691 per Acre for each Assessor’s Parcel of Non-Residential Property.

On each July 1, commencing July 1, 2018, the Maximum Special Tax for Services shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

J. DURATION OF SPECIAL TAX FOR SERVICES

The Special Tax for Services shall be levied in perpetuity to fund the Special Tax for Services Requirement, unless no longer required as determined at the sole discretion of the City Council.

K. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to CFD No. 2006-1 IA JJ. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The City Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be final and binding as to all persons.

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES FOR
CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1
(SUMMERLY)
IMPROVEMENT AREA KK**

A Special Tax shall be levied on all Assessor's Parcels in City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Improvement Area KK ("CFD No. 2006-1 IA KK") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2006-1 IA KK, unless exempted by law or by the provisions hereof, 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 land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1 IA KK: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 IA KK or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 IA KK or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 IA KK or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 IA KK or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 IA KK for any other administrative purposes of CFD No. 2006-1 IA KK, including attorney's fees and other costs, and attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means all Assessor's 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 before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax for Facilities" means the Special Tax for Facilities for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) below.

"Authorized Facilities" means those authorize improvements, as listed in an exhibit to the Resolution of Formation.

"Backup Special Tax for Facilities" means the Special Tax for Facilities applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(c) below.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Services as determined in accordance with Section I below, and providing for the levy and collection of the Special Taxes.

"CFD" or **"CFD No. 2006-1 IA KK"** means Improvement Area KK of CFD No. 2006-1 as identified on the boundary map for CFD No. 2006-1.

"CFD No. 2006-1" means City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) established by the City under the Act.

"CFD No. 2006-1 IA KK Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax for Facilities within CFD No. 2006-1 IA KK have been pledged.

"City" means the City of Lake Elsinore.

"City Council" means the City Council of the City of Lake Elsinore, acting as the Legislative Body of CFD No. 2006-1 IA KK, or its designee.

"County" means the County of Riverside.

"Developed Property" means, with respect to the Special Tax for Facilities, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax for Facilities is being levied. Once an Assessor's Parcel has been designated Developed Property, the Maximum Special Tax for Facilities cannot be reduced for any reason unless a prepayment in full or partial prepayment is made pursuant to Section G.

"Final Subdivision" means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

"Fiscal Year" means the period commencing on July 1st of any year and ending the following June 30th.

"Funding Agreement" means the Funding, Construction and Acquisition Agreement entered into by the City, on behalf of CFD No. 2006-1, as it may be amended.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2006-1 IA KK Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax for Facilities" means the maximum Special Tax for Facilities, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

"Outstanding Bonds" means all CFD No. 2006-1 IA KK Bonds which are deemed to be outstanding under the Indenture.

"Property Owner's Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2006-1 IA KK that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax for Facilities levy to the Assigned Special Tax for Facilities is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax for Facilities levy per Acre to the Maximum Special Tax for Facilities per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section D below.

"Public Property" means , for each Fiscal Year, (i) any property within the boundaries of CFD No. 2006-1 IA KK owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public use has been granted, to the federal government, the State, the County, the City, the Lake Elsinore Unified School District, or any local government or other public agency as of January 1 of the previous Fiscal Year, provided 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; or (ii) any property within the boundaries of CFD No. 2006-1 IA KK that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

"Resolution of Formation" means the resolution of formation for CFD No. 2006-1 IA KK.

"Special Tax(es)" means any of the special taxes authorized to be levied within CFD No. 2006-1 IA KK pursuant to the Act.

"Special Tax for Facilities" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property to fund the Special Tax Requirement for Facilities.

"Special Tax for Facilities Requirement " means that amount required in any Fiscal Year for CFD No. 2006-1 IA KK to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2006- 1 IA KK Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2006-1 IA KK Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax for Facilities delinquencies; (vi) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax for Facilities levy on Approved Property and Undeveloped Property; less (vii) a credit for funds available to reduce the annual Special Tax for Facilities levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1 IA KK which are not exempt from the Special Tax for Facilities pursuant to law or Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2006-1 IA KK shall be classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 4 as listed in Table 1 below based on the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 5. With respect to Residential Property, the Residential Floor Area shall be determined from the most recent building permit issued for such Assessor's Parcel.

C. MAXIMUM SPECIAL TAX FOR FACILITIES

1. Developed Property

(a) Maximum Special Tax for Facilities

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax for Facilities or (ii) the amount derived by application of the Backup Special Tax for Facilities.

(b) Assigned Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities for each Land Use Class is shown below in Table 1.

TABLE 1
ASSIGNED SPECIAL TAX FOR FACILITIES FOR DEVELOPED PROPERTY
COMMUNITY FACILITIES DISTRICT NO. 2006-1 IMPROVEMENT AREA KK
FISCAL YEAR 2017-2018

Land Use Class	Description	Residential Floor Area	Assigned Special Tax for Facilities
1	Residential Property	Less than 1,600 sq. ft	\$1,740 per unit
2	Residential Property	1,600 – 1,799 sq. ft	\$1,850 per unit
3	Residential Property	1,800 – 1,999 sq. ft	\$1,916 per unit
4	Residential Property	Greater than 1,999 sq. ft.	\$1,990 per unit
5	Non-Residential Property	N/A	\$15,099 per Acre

(c) Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Backup Special Tax for Facilities attributable to a Final Subdivision will equal \$15,099, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed by dividing the Backup Special Tax for Facilities attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number or residential lots). The Backup Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property therein shall equal \$15,099 multiplied by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction may be issued, exclusive of Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed exclusive of the Acreage and Assessor's Parcels of property for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued within such Final Subdivision, then the Backup Special Tax for Facilities for each Assessor's Parcel of Developed Property that is part of the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax for Facilities previously determined for an Assessor's Parcel of Developed Property that is not a part of the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified portion of the Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified portion of the Final Subdivision area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be the Backup Special Tax for Facilities per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified

portion of the Final Subdivision area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

(d) Release of Obligation to Pay and Disclose Backup Special Tax

All Assessor's Parcels within CFD No. 2006-1 IA KK will be relieved simultaneously and permanently from the obligation to pay and disclose the backup Special Tax if the CFD Administrator determines that the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Taxes for Facilities that may be levied against all Assessor's Parcels of Developed Property results in 110% debt service coverage (i.e., the aggregate Assigned Special Taxes for Facilities that may be levied against all Developed Property in each remaining Fiscal Year based on then existing development in CFD No. 2006-1 IA KK is at least equal to the sum of (i) the Administrative Expenses and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds).

(e) Increase in the Assigned Special Tax for Facilities and Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities, identified in Table 1 above, and Backup Special Tax for Facilities shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(f) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax for Facilities levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for Facilities for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property. Taxable Property Owner Association Property. Taxable Public Property. and Undeveloped Property

The Fiscal Year 2017-2018 Maximum Special Tax for Facilities for Approved Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall be \$15,099 per Acre and shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for Facilities in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES

Commencing with Fiscal Year 2017-2018 and for each following Fiscal Year, the City Council shall determine the Special Tax Requirement for Facilities and levy the Special Tax for Facilities until the amount of Special Tax for Facilities levy equals the Special Tax Requirement for Facilities. The Special Tax for Facilities shall be levied each Fiscal Year as follows:

Step One: The Special Tax for Facilities shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax for Facilities;

Step Two: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Facilities for Approved Property;

Step Three: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Facilities for Undeveloped Property;

Step Four: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax for Facilities on each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is determined through the application of the Backup Special Tax for Facilities shall be increased in equal percentages from the Assigned Special Tax for Facilities up to the Maximum Special Tax for Facilities for each such Assessor's Parcel;

Step Five: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax for Facilities in step one (above), when (i) the City Council is no longer required to levy the Special Tax for Facilities pursuant to steps two through four above in order to meet the Special Tax Requirement for Facilities; (ii) all authorized CFD No. 2006-1 IA KK Bonds have already been issued or the City Council has covenanted that it will not issue any additional CFD No. 2006-1 IA KK Bonds (except refunding bonds) to be supported by the Special Tax for Facilities; and (iii) all Authorized Facilities have been constructed and/or acquired.

Further notwithstanding the above, under no circumstances will the Special Tax for Facilities levied against any Assessor's Parcel of Residential Property be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-1 IA KK.

E. EXEMPTIONS

No Special Tax for Facilities shall be levied on up to 7.13 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA KK. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Tax for Facilities under this section shall be subject to the levy of the Special Tax for Facilities and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax for Facilities shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2006-1 IA KK may collect Special Tax for Facilities at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section G:

"Buildout" means, for CFD No. 2006-1 IA KK, that all expected building permits have been issued.

"CFD Public Facilities Costs" means either \$4,125,000 in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to fund the Authorized Facilities to be provided by CFD No. 2006-1 IA KK under the authorized bonding program for CFD No. 2006-1 IA KK, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more CFD No. 2006-1 IA KK Bonds (except refunding bonds) to be supported by the Special Tax for Facilities levy under this Rate and Method of Apportionment as described in Section D above.

"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 CFD 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 Costs minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund established pursuant to the Indenture that are expected to be available to finance the cost of Authorized Facilities.

"Improvement Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities eligible under the Act.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Only an Assessor's Parcel of Developed Property, or Undeveloped Property for which a building permit has been issued, may be prepaid. The obligation of the Assessor's Parcel to pay the Special Tax for Facilities may be permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2006-1 IA KK Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax for Facilities Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest 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 Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for Facilities for the entire CFD No. 2006-1 IA KK based on the Developed Property Special Tax for Facilities which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 2006-1 IA KK, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Backup Special Tax for Facilities at Buildout for the entire CFD No. 2006-1 IA KK, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "Bond Redemption Amount")
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute 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 Previously Issued Bonds.
9. Determine the Special Tax for Facilities levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the

reinvestment of the Special Tax for Facilities Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. The administrative fees and expenses of CFD No. 2006-1 IA KK are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 IA KK Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (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 Previously Issued 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 Previously Issued 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. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).

14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax for Facilities prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Special Tax for Facilities Prepayment Amount").

From the Special Tax for Facilities Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire CFD No. 2006-1 IA KK Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1 IA KK.

The Special Tax for Facilities Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 2006-1 IA KK Bonds. In such cases, 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 prepayment of CFD No. 2006-1 IA KK Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax for Facilities levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax for Facilities levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax for Facilities and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no Special Tax for Facilities prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax for Facilities that may be levied on Taxable Property within CFD No. 2006-1 IA KK (after excluding 7.13 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA KK as set forth in Section E) both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as defined in Section A above, and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds.

2. Prepayment in Part

The Special Tax for Facilities on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment Amount

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

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax for Facilities obligation

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

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax for Facilities and the percentage by which the Special Tax for Facilities shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for Facilities for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2006-1 IA KK that there has been a partial prepayment of the Special Tax for Facilities and that a portion of the Special Tax for Facilities with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax for Facilities, shall continue to be levied on such Assessor's Parcel pursuant to Section D above.

H. TERM OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities shall be levied until Fiscal Year 2058-2059, provided however that the Special Tax for Facilities will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2006-1 IA KK Bonds have been paid; (ii) all Authorized Facilities have been acquired and all reimbursements required by the Funding Agreement have been paid; and (iii) all other obligations of CFD No. 2006-1 IA KK have been satisfied. Bonds shall not be issued after eighteen (18) months have elapsed following the final inspection of the last Residential Property within CFD No. 2006-1 IA KK, except as otherwise provided in the Funding Agreement.

I. SPECIAL TAX FOR SERVICES

The following additional definitions apply to this Section I:

“Developed Multifamily Unit” means a residential dwelling unit within a building in which each of the individual dwelling units has or shall have at least one common wall with another dwelling unit and a building permit has been issued by the City for such dwelling unit on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Developed Single Family Unit” means a residential dwelling unit other than a Developed Multifamily Unit on an Assessor’s Parcel for which a building permit has been issued by the City on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Maximum Special Tax for Services” means the maximum Special Tax for Services that can be levied by CFD No. 2006-1 IA KK in any Fiscal Year on any Assessor’s Parcel.

“Operating Fund” means a fund that shall be maintained for CFD No. 2006-1 IA KK for any Fiscal Year to pay for the actual costs of maintenance related to the Service Area, and the applicable Administrative Expenses.

“Operating Fund Balance” means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

“Service Area” means parks, open space, and storm drains.

“Special Tax for Services” means any of the special taxes authorized to be levied within CFD No. 2006-1 IA KK pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for CFD No. 2006-1 IA KK equal to (i) the budgeted costs directly related to the Service Area, including maintenance, repair and replacement of certain components of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD No. 2006-1 IA KK for the previous Fiscal Year, less (iv) the Operating Fund Balance, as determined by the CFD Administrator.

1. Rate and Method of Apportionment of the Special Tax for Services

Commencing Fiscal Year 2017-2018 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Services on (i) all Assessor’s Parcels containing a Developed Single Family Unit or Developed Multifamily Unit and (ii) all Assessor’s Parcels of Non-Residential Property, up to the applicable Maximum Special Tax for Services to fund the Special Tax Requirement for Services.

The Maximum Special Tax for Services for Fiscal Year 2017-2018 shall be \$306.91 per Developed Single Family Unit, \$153.47 per Developed Multifamily Unit, and \$691 per Acre for each Assessor’s Parcel of Non-Residential Property.

On each July 1, commencing July 1, 2018, the Maximum Special Tax for Services shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

J. DURATION OF SPECIAL TAX FOR SERVICES

The Special Tax for Services shall be levied in perpetuity to fund the Special Tax for Services Requirement, unless no longer required as determined at the sole discretion of the City Council.

K. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to CFD No. 2006-1 IA KK. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The City Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be final and binding as to all persons.

Appendix B

❖ Boundary Map



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SECOND AMENDED BOUNDARY MAP OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) OF THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

THIS MAP AMENDS THE AMENDED MAP RECORDED IN BOOK 76 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT PAGE 80 AS INSTRUMENT NO. 2014-0085080 IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF LAKE ELSINORE, THIS 25th DAY OF January, 2017.

CITY CLERK OF THE CITY OF LAKE ELSINORE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE AT A REGULAR SCHEDULED MEETING THEREOF, HELD ON 24th DAY OF January 20 17.
BY RESOLUTION NO. 2017-016

CITY CLERK OF THE CITY OF LAKE ELSINORE

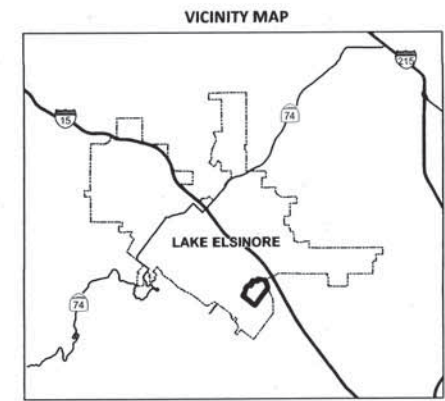
FILE THIS 31st DAY OF JANUARY, 2017 AT THE HOUR OF 9:53 O'CLOCK A.M. IN BOOK 80 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS PAGE 42-43 AS INSTRUMENT NO. 2017-0046104 IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA. FEE: \$12.00

BY _____
COUNTY RECORDER OF THE COUNTY OF RIVERSIDE, DEPUTY



LEGEND

- CFD 2006-1 District Boundary
- - - Improvement Area Boundary
- EE Improvement Area



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2016-17.

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SECOND AMENDED BOUNDARY MAP OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) OF THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

IMPROVEMENT AREA JJ

Ref. No.	APN
1	371-270-049
2	371-270-020
3	371-270-022
4	371-270-004
5	371-270-054 (Por.)

IMPROVEMENT AREA KK

Ref. No.	APN
6	371-040-015
7	371-040-016

REFERENCE IS HEREBY MADE TO THE CITY OF LAKE ELSINORE LOT LINE ADJUSTMENT NO. 16-416 RECORDED IN THE OFFICIAL RECORDS OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS DOCUMENT NO. 2016-0281439 FOR A DESCRIPTION OF THE LINES AND DIMENSIONS OF THESE PARCELS.



LEGEND

- Improvement Area Boundary
- Parcel Boundary
- JJ Improvement Area
- ① Reference Number



THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCEL REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2016-17.



Appendix C

❖ Resolution of Intention



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RESOLUTION NO. 2017 – 016

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING AS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE, COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), DECLARING ITS INTENTION TO CONSIDER ESTABLISHING IMPROVEMENT AREAS JJ AND KK FROM TERRITORY CURRENTLY WITHIN THE BOUNDARIES OF IMPROVEMENT AREAS DD AND GG OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), RESPECTIVELY, AND TO INCUR BONDED INDEBTEDNESS WITHIN PROPOSED IMPROVEMENT AREAS JJ AND KK

Whereas, after a Public Hearing, on February 28, 2006, the City Council (Council) of the City of Lake Elsinore (City) adopted Resolution Nos. 2006-30 (Original Resolution of Formation) and 2006-31 which formed City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) (District or Community Facilities District No. 2006-1) and Improvement Area Nos. 1 through 3 therein, and called special elections on February 28, 2006, within Improvement Area Nos. 1 through 3 of 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 on February 28, 2006; and, **Whereas**, subsequent to the formation of the District, the District received a petition signed by owners of the land within the boundaries of the District to dissolve Improvement Area Nos. 1 through 3 therein and to establish Improvement Areas A through F of the District, to authorize the levy of the special tax in accordance with rates and methods of apportionment of special taxes for Improvement Areas A through F and to authorize the District to incur bonded indebtedness for Improvement Areas A through F; and,

Whereas, on January 25, 2011, Council, acting as the legislative body of the District, adopted Resolution Nos. 2011-005 and 2011-006, dissolving Improvement Area Nos. 1 through 3 therein, establishing Improvement Areas A through F of the District and declaring the intention to incur bonded indebtedness of the District for Improvement Areas A through F; and,

Whereas, after a Public Hearing, on March 8, 2011, Council adopted Resolution Nos. 2011-119 and 2011-120, which called special elections on March 8, 2011, within Improvement Areas A through F of 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 on March 8, 2011, (collectively, the "2011 Change Proceedings"); and,

Whereas, subsequent to the 2011 Change Proceedings, the District received a petition signed by owners of the land within Improvement Areas C through F of the District to dissolve Improvement Areas C through F and to establish Improvement Areas CC, DD, EE, FF, GG, HH and II of the District from the areas within Improvement Areas C through F of the District; and,

Whereas, on February 25, 2014, the Council, acting as the legislative body of the District, adopted Resolution Nos. 2014-2010 and 2011-2011, dissolving Improvement Areas C through F therein, establishing Improvement Areas CC, DD, EE, FF, GG, HH and II of the District and declaring the intention to incur bonded indebtedness of the District for Improvement Areas CC, DD, EE, FF, GG, HH and II; and,

Whereas, after a public hearing, on April 8, 2014, the City Council adopted Resolution Nos. 2014-016 and 2014-017, which called special elections on April 8, 2014 within Improvement Areas CC,

DD, EE, FF, GG, HH and II of 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 for Improvement Areas CC, DD, EE, FF, GG, HH and II, which were approved by more than two-thirds vote by the qualified electors on April 8, 2014 (collectively, the "2014 Change Proceedings"); and,

Whereas, the District has received a petition signed by McMillin Summerly, LLC, a Delaware limited liability company, (Owner) which owns land within Improvement Area DD and GG of the District, which the Owner desires to establish as Improvement Areas JJ and KK of the District, respectively (Proposed Improvement Area JJ and Proposed Improvement Area KK and together, Proposed Improvement Areas), the boundaries of which are described herein in Attachment "A" hereto and to approve new rates and methods of apportionment for each of Proposed Improvement Area JJ and Proposed Improvement Area KK attached hereto as Attachments "B" and "C," respectively (Proposed Rates and Methods); and,

Whereas, the Owner desires the District incur bonded indebtedness on behalf of the Proposed Improvement Areas in the amount not to exceed \$7,000,000 for Proposed Improvement Area JJ and \$5,700,000 for Proposed Improvement Area KK, for the purpose of financing the Facilities and Incidental Expenses described in the Original Resolution of Formation and as further set forth in Attachment "D" hereto; and,

Whereas, it is the intention of the City Council to consider financing the Facilities, the Services and the Incidental Expenses (each as defined in Attachment "D" hereto) through the establishment of the Proposed Improvement Areas and the issuance of bonded indebtedness in an amount not to exceed \$7,000,000 for Proposed Improvement Area JJ and \$5,700,000 for Proposed Improvement Area KK with respect to the Facilities and the Facilities Incidental Expenses (as defined in Attachment "D"), and the levy of a special tax to pay for the Facilities (Facilities Special Tax), the Services (Services Special Tax) and the Services Incidental Expenses and to pay debt service on the bonded indebtedness, provided that the bond sale and such special tax levy are approved at elections to be held within the boundaries of each Proposed Improvement Area; and,

Whereas, the City desires to enter into a reimbursement agreement with the Owner, the form of which is on file with the City Clerk (Reimbursement Agreement), to provide for the reimbursement of certain amounts advanced by the Owner in connection with the establishment of the Proposed Improvement Areas; and,

Whereas, the Council and the Owner desire that upon, and in consideration for, completion of the formation of the Proposed Improvement Areas that the special tax obligation and lien with respect to Improvement Area DD and GG shall be fully satisfied, a notice of cancellation shall be recorded with respect to such property and Improvement Areas DD and GG shall be dissolved.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE, CALIFORNIA, ACTING HAS THE LEGISLATIVE BODY OF CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

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

Section 2. The Council 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 (Act) for the designation of Proposed Improvement Areas JJ and Proposed Improvement Area KK.

Section 3. The Council hereby designates, pursuant to Section 53350 of the Act, an area which shall be known as "Improvement Area JJ of Community Facilities District No. 2006-1", and an area which shall be known as "Improvement Area KK of Community Facilities District No. 2006-1" (each individually, an "Improvement Area", and, together with the previously established improvement areas of the District pursuant to the 2011 Change Proceedings, and modified by the 2014 Change Proceedings, collectively, the "Improvement Areas"). It is further proposed that the boundaries of Community Facilities District No. 2006-1 shall be the legal boundaries as described in Attachment "A" hereto (which consist of the combined boundaries of the Improvement Areas and which shall, upon recordation of the amended boundary map for Community Facilities District No. 2006-1, include the entirety of any parcel subject to taxation by Community Facilities District No. 2006-1) and as depicted on the proposed amended boundary map of Community Facilities District No. 2006-1 which is on file with the City Clerk of the Council. The City Clerk of the City Council is hereby directed to sign the amended boundary map of Community Facilities District No. 2006-1 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.

Section 4. The Facilities proposed to be provided within the Improvement Areas are public facilities as defined in the Act. The Facilities and Facilities Incidental Expenses authorized to be financed by the Improvement Areas are described in the Original Resolution of Formation and are set forth in Attachment "D" hereto. The City is authorized by law to construct, acquire, own and operate the City facilities to be financed by the District and Elsinore Valley Municipal Water District (Water District) is authorized by law to construct and maintain the water and sewer facilities for the benefit of each Improvement Area. The Council hereby finds that the proposed Facilities are necessary to meet increased demands placed upon the City as a result of development occurring in Community Facilities District No. 2006-1. The Facilities may be acquired from one or more of the property owners as completed public improvements or may be constructed from bond proceeds or proceeds of the Facilities Special Tax. All or a portion of the Facilities may be purchased with Community Facilities District No. 2006-1 funds, as completed public facilities and/or constructed with Community Facilities District No. 2006-1 funds. Any portion of the Facilities may be financed through a lease or lease-purchase arrangement if the City hereafter determines that such arrangement is of benefit to the City.

The Services proposed to be provided for the benefit of the Proposed Improvement Areas are public services as defined in the Act, and this City Council finds and determines that the Services to be financed are in addition to those provided in the territory of the Proposed Improvement Areas at the present time and do not supplant services already available within the territory of the Proposed Improvement Areas. The Council hereby finds and determines that the description of the Services herein is sufficiently informative to allow taxpayers within the Proposed Improvement Areas, to understand what the funds of the District may be used to finance. The Services Incidental Expenses expected to be incurred include the costs of planning the Services, the costs of forming the Proposed Improvement Areas, the cost of levying and collecting the Services Special Tax within the Proposed Improvement Areas and the cost of administration.

Section 5. Except where funds are otherwise available, it is the intention of the Council to levy annually in accordance with the procedures contained in the Act the Facilities Special Tax,

secured by a continuing lien against all non-exempt real property in Proposed Improvement Area JJ and Proposed Improvement Area KK, sufficient to pay for: (i) the Facilities and Facilities Incidental Expenses attributable to the Proposed Improvement Area JJ and Proposed Improvement Area KK and (ii) the principal and interest and other periodic costs on bonds or other indebtedness issued to finance the Facilities 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 the respective Proposed Improvement Area. The Proposed Rates and Methods and manner of collection of the Facilities Special Tax in Proposed Improvement Area JJ and Proposed Improvement Area KK are described in detail in Attachments "B" and "C" attached hereto, respectively (which attachments are incorporated herein by this reference). Attachments "B" and "C" allow each landowner within Proposed Improvement Area JJ and Proposed Improvement Area KK to estimate the maximum amount that may be levied against each parcel. In the first year in which such Facilities Special Tax is levied, the levy shall include an amount sufficient to repay to the District all amounts, if any, transferred to Community Facilities District No. 2006-1 pursuant to Section 53314 of the Act and interest thereon.

The Facilities Special Tax may be increased by two percent (2%) per year, to the extent permitted in the Rate and Method. If Facilities Special Taxes of Community Facilities District No. 2006-1 for the Proposed Improvement Areas are levied against any parcel used for private residential purposes, (i) the maximum Facilities Special Tax rate shall not be increased over time except that it may be increased by an amount not to exceed two percent per year to the extent permitted in the rate and method, (ii) such tax shall not be levied later than the 2058-59 Fiscal Year and (iii) under no circumstances will the Facilities Special Tax levied against any such parcel used for private residential uses be increased in any fiscal year as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the applicable Proposed Improvement Area 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 Facilities Special Tax is based on the expected demand that each parcel of real property within Proposed Improvement Area JJ and Proposed Improvement Area KK will place on the Facilities and on the benefit that each parcel derives from the services to be provided by the Facilities. The Council hereby determines that the proposed Facilities are necessary to meet the increased demand placed upon the City and the existing infrastructure in the City as a result of the development of the territory within Community Facilities District No. 2006-1. The Council hereby determines the Proposed Rates and Methods set forth in Attachments "B" and "C" to be reasonable. The Facilities Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act; and such Facilities 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 Proposed Improvement Area JJ and Proposed Improvement Area KK shall become for any reason exempt, wholly or partially, from the levy of the Facilities Special Tax specified in Attachments "B" and "C," respectively, the Council shall, on behalf of such Improvement Area cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Attachments "B" and "C," respectively to the extent necessary upon the remaining property within such Proposed Improvement Area JJ and Proposed Improvement Area KK which is not exempt in order to yield the Facilities Special Tax revenues required for the purposes described in this Section. The obligation to pay Facilities Special Taxes may be prepaid as provided in the rates and methods of apportionment set forth in Attachments B" and "C," respectively as such rates and methods of apportionment may be amended hereafter.

Section 6. Except where funds are otherwise available, it is the intention of the City Council to levy annually in accordance with the procedures contained in the Act the Services Special Tax, secured by recordation of a continuing lien against all nonexempt real property in the Proposed Improvement Areas, sufficient to pay for the Services and the Services Incidental Expenses. The rate and method of apportionment and manner of collection of the Services Special Tax are described in detail in Attachments "B" and "C" hereto. Attachments "B" and "C" allows each landowner within Proposed Improvement Area JJ and Proposed Improvement Area JJ, respectively, to estimate the maximum amount of the Services Special Tax that may be levied against each parcel therein.

The Services Special Tax may be increased by two percent (2%) per year, to the extent permitted in the Rate and Method. The Services Special Tax may be levied for such period as the Services are needed, as further described in Attachments "B" and "C" hereto.

The Services Special Tax is based on the expected demand that each parcel of real property within each Proposed Improvement Area will place on the Services. The Council hereby determines that the proposed Services are necessary to meet the increased demand placed upon the City and the maintenance of parks, open space and storm drain improvements as a result of the development of the land within the Proposed Improvement Areas. The Council hereby determines the rate and method of apportionment of the special taxes set forth in Attachments "B" and "C" to be reasonable. The Services Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act and such Services Special Tax is not on or based upon the value or ownership of real property.

Section 7. It is necessary to incur bonded indebtedness within the boundaries of Proposed Improvement Area JJ in an amount not to exceed \$7,000,000 and within the boundaries of Proposed Improvement Area KK in an amount not to exceed \$5,700,000, in order to finance certain of the costs of the Facilities and Facilities Incidental Expenses, as permitted by the Act for the benefit of the respective Proposed Improvement Area.

Section 8. The indebtedness will be incurred for the purpose of financing the costs of the Facilities and the Facilities Incidental Expenses, including, but not limited to, the funding of reserve funds for the bonds, the financing of costs associated with the issuance of the bonds and all other costs and expenses necessary to finance the Facilities which are permitted to be financed pursuant to the Act.

Section 9. It is the intent of the Council to authorize the sale of bonds of each Proposed Improvement Area in one or more series, which bonds may be issued to fund Facilities costs and Facilities Incidental Expenses for that Proposed Improvement Area in the respective maximum amounts set forth in Section 6, and which bonds may bear interest at a rate not in excess of the maximum rate permitted by law at the time that the bonds are issued. The term of the bonds of each series shall be determined pursuant to a resolution of this Council authorizing the issuance of the bonds of such series, but such term shall in no event exceed 40 years from the date of issuance of the bonds of such series, or such longer term as is then permitted by law.

Section 10. Combined Public Hearings (Hearing) on the establishment of the Proposed Improvement Areas within Community Facilities District No. 2006-1, the levying of special taxes in each Proposed Improvement Area in accordance with the Proposed Rates and Methods and the proposed issuance of bonds with respect to each Proposed Improvement Area to finance the Facilities and the Facilities Incidental Expenses shall be held at 7:00 p.m., or as soon thereafter as practicable, on February 28, 2017, at the City Cultural Center, 183 North Main Street, Lake

Elsinore, California. Should the Council determine to establish the Proposed Improvement Areas within Community Facilities District No. 2006-1, special elections will be held for each Proposed Improvement Area to authorize the issuance of the bonds and the levy of the special tax for the respective Proposed Improvement Area in accordance with the procedures contained in Government Code Section 53326. If such elections are held, the proposed voting procedure at the elections will be a landowner vote with each landowner who is the owner of record of land within the applicable Proposed Improvement Area at the close of the Hearing, or the authorized representative thereof, having one vote for each acre or portion thereof owned within such Proposed Improvement Area. Ballots for the special election may be distributed by mail or by personal service.

Section 11. At the time and place set forth above for the Hearing, the Council will receive testimony as to whether each Proposed Improvement Area within Community Facilities District No. 2006-1 shall be established and shall consider:

(a) if an ad valorem property tax is currently being levied on property within the Proposed Improvement Areas 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 Community Facilities District No. 2006-1 within the Proposed Improvement Areas will provide the same services as were provided by the capital facilities mentioned in subsection (a); and,

(c) if the Council 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 the Proposed Improvement Areas, for purposes of paying principal and interest on the debt identified in subsection (a) above, shall not be increased after the date on which the Proposed Improvement Areas are created, or after a later date determined by the City Council with the concurrence of the legislative body which levied the property tax in question.

Section 12. At the time and place set forth above for the Hearing, any interested person, including all persons owning lands or registered to vote within any of the Proposed Improvement Areas, may appear and be heard.

Section 13. Each City officer who is or will be responsible for providing the Facilities and the Services within the Proposed Improvement Areas, if established, is hereby directed to study the Proposed Improvement Areas of Community Facilities District No. 2006-1 and the Proposed Rates and Methods and, at or before the time of the above-mentioned Hearing, file a report with the Council containing a brief description of the public improvements and services by type which will in his or her opinion be required to meet adequately the needs of Community Facilities District No. 2006-1 and an estimate of the cost of providing those public improvements and services, 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.

Section 14. The City 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 City in creating the Proposed Improvement Areas within Community Facilities District No. 2006-1. The City 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 Council, with or without interest.

Section 15. The City Clerk of the Council is hereby directed to publish a notice (Notice) of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the Proposed Improvement Areas within Community Facilities District No. 2006-1. The City Clerk of the Council is further directed to mail a copy of the Notice to each of the landowners within the boundaries of the Proposed Improvement Areas 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 the proposed 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.

Section 16. The reasonably expected maximum principal amount of the bonded debt within Proposed Improvement Area JJ is Seven Million Dollars (\$7,000,000) and within Proposed Improvement Area KK is Five Million Seven Hundred Thousand Dollars (\$5,700,000).

Section 17. Except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the Council 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).

Section 18. The form of the Reimbursement Agreement is hereby approved. The Mayor, the City Manager, the Assistant City Manager, or their written designees are hereby authorized and directed to execute and deliver the Reimbursement Agreement in the form on file with the City Clerk 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.

Section 19. This Resolution shall be effective upon its adoption.

Passed and Adopted this 24th day of January, 2017



Robert E. Magee, Mayor

Attest:



Susan M. Domen, MMC
City Clerk

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF LAKE ELSINORE)

I, Susan M. Domen, MMC, City Clerk of the City of Lake Elsinore, California, do hereby certify that Resolution No. 2017-016 was adopted by the City Council of the City of Lake Elsinore, California, at the Regular meeting of January 24, 2017, and that the same was adopted by the following vote:

AYES: Council Members Hickman, Manos and Tisdale; Mayor Pro Tem Johnson and Mayor Magee

NOES: None

ABSENT: None

ABSTAIN: None



Susan M. Domen, MMC
City Clerk

ATTACHMENT "A"
PROPOSED AMENDED BOUNDARY MAP
OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
OF THE CITY OF LAKE ELSINORE

SECOND AMENDED BOUNDARY MAP OF COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY) OF THE CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

THIS MAP AMENDS THE AMENDED MAP RECORDED IN BOOK 76 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT PAGE 80 AS INSTRUMENT NO. 2014-0085080 IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

FILED IN THE OFFICE OF THE CITY CLERK, CITY OF LAKE ELSINORE, THIS ____ DAY OF ____ 20__.

CITY CLERK OF THE CITY OF LAKE ELSINORE

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE CITY OF LAKE ELSINORE COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY), CITY OF LAKE ELSINORE, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LAKE ELSINORE AT A REGULAR SCHEDULED MEETING THEREOF HELD ON ____ DAY OF ____ 20__ BY RESOLUTION NO. ____

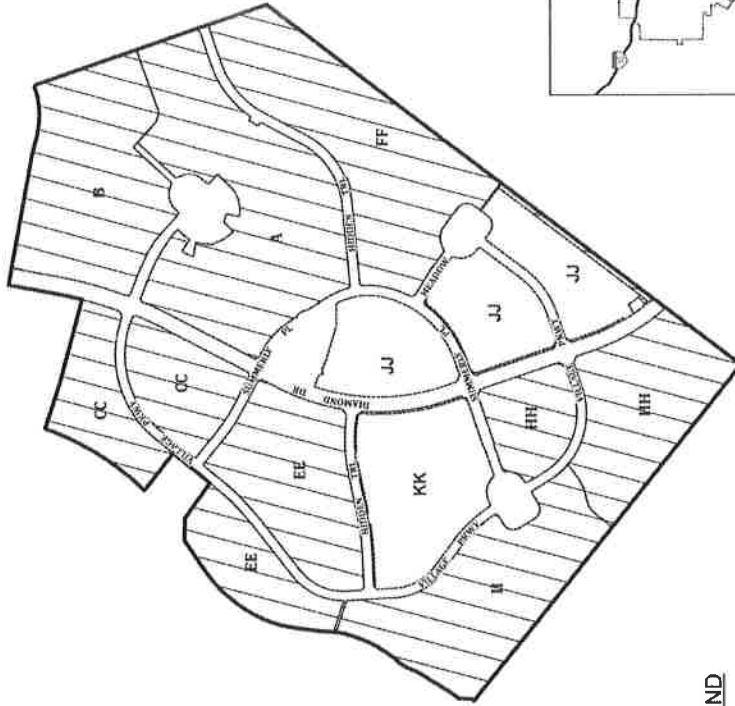
CITY CLERK OF THE CITY OF LAKE ELSINORE

FILE THIS ____ DAY OF ____ 20__ AT THE HOUR OF ____ O'CLOCK ____ M ____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS PAGE ____ AS INSTRUMENT NO. ____ IN THE OFFICE OF THE COUNTY RECORDER, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA. FEE: ____

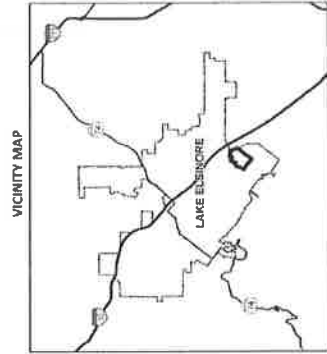
BY: _____
COUNTY RECORDER OF THE COUNTY OF RIVERSIDE



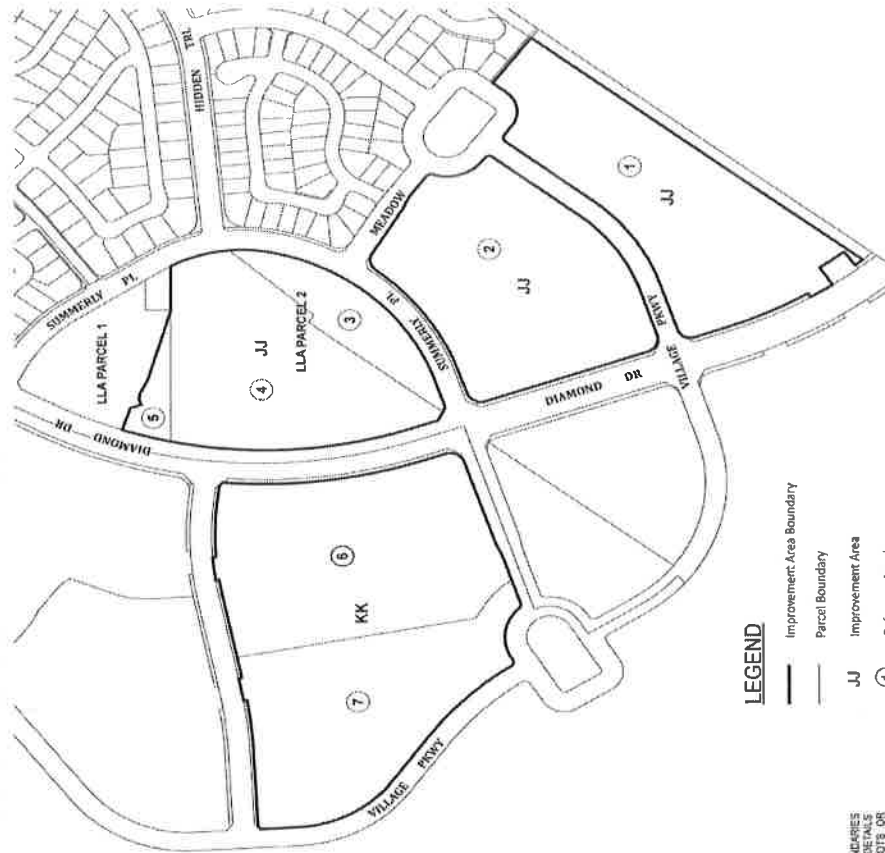
THIS BOUNDARY MAP CORRECTLY SHOWS THE BOUNDARIES OF THE COMMUNITY FACILITIES DISTRICT. FOR DETAILS CONCERNING THE LINES AND DIMENSIONS OF LOTS OR PARCELS REFER TO THE COUNTY ASSESSOR'S MAPS FOR FISCAL YEAR 2016-17.



- LEGEND**
- CFD 2006-1 District Boundary
 - Improvement Area Boundary
 - Improvement Area
 - EE



**SECOND AMENDED BOUNDARY MAP OF
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
OF THE CITY OF LAKE ELSINORE,
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

**IMPROVEMENT AREA JJ**

Ref. No.	APN
1	371-270-049
2	371-270-020
3	371-270-022
4	371-270-004
5	371-270-054 (Port.)

IMPROVEMENT AREA KK

Ref. No.	APN
6	371-040-015
7	371-040-016

REFERENCE IS HEREBY MADE TO THE CITY OF LAKE ELSINORE LOT LINE ADJUSTMENT NO. 16-416 RECORDED IN THE OFFICIAL RECORDS OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS DOCUMENT NO. 2016-0281439 FOR A DESCRIPTION OF THE LINES AND DIMENSIONS OF THESE PARCELS.

LEGEND

- Improvement Area Boundary
- Parcel Boundary
- JJ Improvement Area
- ① Reference Number

THE 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 ASSESSOR'S MAPS FOR FISCAL YEAR 2021.



With respect to Assessor's Parcel No. 371-270-054, the portion referenced as No. 5 in Parcel 1 and as further described in Notice of Lot Line Adjustment No. 16-416, recorded in the Official Records of the County of Riverside as Document No. 2016-0281439 on July 7, 2016 is included within the boundaries of Improvement Area JJ.

ATTACHMENT "B"
PROPOSED RATE AND METHOD OF APPORTIONMENT
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
(PROPOSED IMPROVEMENT AREA JJ)

A Special Tax shall be levied on all Assessor's Parcels in City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Improvement Area JJ ("CFD No. 2006-1 IA JJ") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2006-1 IA JJ, unless exempted by law or by the provisions hereof, 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 land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1 IA JJ: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 IA JJ or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 IA JJ or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 IA JJ or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 IA JJ or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 IA JJ for any other administrative purposes of CFD No. 2006-1 IA JJ, including attorney's fees and other costs, and attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means all Assessor's 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 before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax for Facilities" means the Special Tax for Facilities for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) below.

"Authorized Facilities" means those authorize improvements, as listed in an exhibit to the Resolution of Formation.

"Backup Special Tax for Facilities" means the Special Tax for Facilities applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(c) below.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Services as determined in accordance with Section I below, and providing for the levy and collection of the Special Taxes.

"CFD" or **"CFD No. 2006-1 IA JJ"** means Improvement Area JJ of CFD No. 2006-1 as identified on the boundary map for CFD No. 2006-1.

"CFD No. 2006-1" means City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) established by the City under the Act.

"CFD No. 2006-1 IA JJ Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax for Facilities within CFD No. 2006-1 IA JJ have been pledged.

"City" means the City of Lake Elsinore.

"City Council" means the City Council of the City of Lake Elsinore, acting as the Legislative Body of CFD No. 2006-1 IA JJ, or its designee.

"County" means the County of Riverside.

"Developed Property" means, with respect to the Special Tax for Facilities, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax for Facilities is being levied. Once an Assessor's Parcel has been designated Developed Property, the Maximum Special Tax for Facilities cannot be reduced for any reason unless a prepayment in full or partial prepayment is made pursuant to Section G.

"Final Subdivision" means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or

portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

"Fiscal Year" means the period commencing on July 1st of any year and ending the following June 30th.

"Funding Agreement" means the Funding, Construction and Acquisition Agreement entered into by the City, on behalf of CFD No. 2006-1, as it may be amended.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2006-1 IA JJ Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax for Facilities" means the maximum Special Tax for Facilities, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

"Outstanding Bonds" means all CFD No. 2006-1 IA JJ Bonds which are deemed to be outstanding under the Indenture.

"Property Owner's Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2006-1 IA JJ that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax for Facilities levy to the Assigned Special Tax for Facilities is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax for Facilities levy per Acre to the Maximum Special Tax for Facilities per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section D below.

"Public Property" means , for each Fiscal Year, (i) any property within the boundaries of CFD No. 2006-1 IA JJ owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public use has been granted, to the federal government, the State, the County, the City, the Lake Elsinore Unified School District, or any local government or other public agency as of January 1 of the previous Fiscal Year, provided 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; or (ii) any property within the boundaries of CFD No. 2006-1 IA JJ that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

"Resolution of Formation" means the resolution of formation for CFD No. 2006-1 IA JJ.

"Special Tax(es)" means any of the special taxes authorized to be levied within CFD No. 2006-1 IA JJ pursuant to the Act.

"Special Tax for Facilities" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property to fund the Special Tax Requirement for Facilities.

"Special Tax for Facilities Requirement " means that amount required in any Fiscal Year for CFD No. 2006-1 IA JJ to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2006- 1 IA JJ Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2006-1 IA JJ Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax for Facilities delinquencies; (vi) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax for Facilities levy on Approved Property and Undeveloped Property; less (vii) a credit for funds available to reduce the annual Special Tax for Facilities levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1 IA JJ which are not exempt from the Special Tax for Facilities pursuant to law or Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2006-1 IA JJ shall be classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 5 as listed in Table 1 below based on the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 6. With respect to Residential Property, the Residential Floor Area shall be determined from the most recent building permit issued for such Assessor's Parcel.

C. MAXIMUM SPECIAL TAX FOR FACILITIES

1. Developed Property

(a) Maximum Special Tax for Facilities

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax for Facilities or (ii) the amount derived by application of the Backup Special Tax for Facilities.

(b) Assigned Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities for each Land Use Class is shown below in Table 1.

TABLE 1
ASSIGNED SPECIAL TAX FOR FACILITIES FOR DEVELOPED PROPERTY
COMMUNITY FACILITIES DISTRICT NO. 2006-1 IMPROVEMENT AREA JJ
FISCAL YEAR 2017-2018

Land Use Class	Description	Residential Floor Area	Assigned Special Tax for Facilities
1	Residential Property	Less than 1,700 sq. ft	\$1,280 per unit
2	Residential Property	1,700 – 1,999 sq. ft	\$1,320 per unit
3	Residential Property	2,000 – 2,299 sq. ft	\$1,570 per unit
4	Residential Property	2,300 – 2,599 sq. ft	\$1,580 per unit
5	Residential Property	Greater than 2,599 sq. ft.	\$1,590 per unit
6	Non-Residential Property	N/A	\$12,032 per Acre

(c) Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Backup Special Tax for Facilities attributable to a Final Subdivision will equal \$12,032, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed by dividing the Backup Special Tax for Facilities attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number of residential lots). The Backup Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property therein shall equal \$12,032 multiplied by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction may be issued, exclusive of Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed exclusive of the Acreage and Assessor's Parcels of property for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued within such Final Subdivision, then the Backup Special Tax for Facilities for each Assessor's Parcel

of Developed Property that is part of the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax for Facilities previously determined for an Assessor's Parcel of Developed Property that is not a part of the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified portion of the Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified portion of the Final Subdivision area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be the Backup Special Tax for Facilities per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified portion of the Final Subdivision area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

(d) Release of Obligation to Pay and Disclose Backup Special Tax

All Assessor's Parcels within CFD No. 2006-1 IA JJ will be relieved simultaneously and permanently from the obligation to pay and disclose the backup Special Tax if the CFD Administrator determines that the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Taxes for Facilities that may be levied against all Assessor's Parcels of Developed Property results in 110% debt service coverage (i.e., the aggregate Assigned Special Taxes for Facilities that may be levied against all Developed Property in each remaining Fiscal Year based on then existing development in CFD No. 2006-1 IA JJ is at least equal to the sum of (i) the Administrative Expenses and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds).

(e) Increase in the Assigned Special Tax for Facilities and Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities, identified in Table 1 above, and Backup Special Tax for Facilities shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(f) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax for Facilities levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for Facilities for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property. Taxable Property Owner Association Property. Taxable Public Property. and Undeveloped Property

The Fiscal Year 2017-2018 Maximum Special Tax for Facilities for Approved Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall be \$12,032 per Acre and shall increase thereafter, commencing on July 1, 2018 and on July 1 of

each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for Facilities in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES

Commencing with Fiscal Year 2017-2018 and for each following Fiscal Year, the City Council shall determine the Special Tax Requirement for Facilities and levy the Special Tax for Facilities until the amount of Special Tax for Facilities levy equals the Special Tax Requirement for Facilities. The Special Tax for Facilities shall be levied each Fiscal Year as follows:

- Step One: The Special Tax for Facilities shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax for Facilities;
- Step Two: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Facilities for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Facilities for Undeveloped Property;
- Step Four: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax for Facilities on each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is determined through the application of the Backup Special Tax for Facilities shall be increased in equal percentages from the Assigned Special Tax for Facilities up to the Maximum Special Tax for Facilities for each such Assessor's Parcel;
- Step Five: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax for Facilities in step one (above), when (i) the City Council is no longer required to levy the Special Tax for Facilities pursuant to steps two through four above in order to meet the Special Tax Requirement for Facilities; (ii) all authorized CFD No. 2006-1 IA JJ Bonds have already been issued or the City Council has covenanted that it will not issue any additional CFD No. 2006-1 IA JJ Bonds (except refunding bonds) to be supported by the Special Tax for Facilities; and (iii) all Authorized Facilities have been constructed and/or acquired.

Further notwithstanding the above, under no circumstances will the Special Tax for Facilities levied against any Assessor's Parcel of Residential Property be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-1 IA JJ.

E. EXEMPTIONS

No Special Tax for Facilities shall be levied on up to 12.82 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA JJ. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Tax for Facilities under this section shall be subject to the levy of the Special Tax for Facilities and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax for Facilities shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2006-1 IA JJ may collect Special Tax for Facilities at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section G:

"Buildout" means, for CFD No. 2006-1 IA JJ, that all expected building permits have been issued.

"CFD Public Facilities Costs" means either \$5,125,000 in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to fund the Authorized Facilities to be provided by CFD No. 2006-1 IA JJ under the authorized bonding program for CFD No. 2006-1 IA JJ, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more CFD No. 2006-1 IA JJ Bonds (except refunding bonds) to be supported by the Special Tax for Facilities levy under this Rate and Method of Apportionment as described in Section D above.

"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 CFD 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 Costs minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund established pursuant to the Indenture that are expected to be available to finance the cost of Authorized Facilities.

"Improvement Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities eligible under the Act.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Only an Assessor's Parcel of Developed Property, or Undeveloped Property for which a building permit has been issued, may be prepaid. The obligation of the Assessor's Parcel to pay the Special Tax for Facilities may be permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2006-1 IA JJ Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax for Facilities Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest 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 Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.

3. (a) Divide the Assigned Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for Facilities for the entire CFD No. 2006-1 IA JJ based on the Developed Property Special Tax for Facilities which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 2006-1 IA JJ, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Backup Special Tax for Facilities at Buildout for the entire CFD No. 2006-1 IA JJ, excluding any Assessor's Parcels which have been prepaid.

4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "Bond Redemption Amount")

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute 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 Previously Issued Bonds.

9. Determine the Special Tax for Facilities levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax for Facilities Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. The administrative fees and expenses of CFD No. 2006-1 IA JJ are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 IA JJ Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (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 Previously Issued 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 Previously Issued 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. No Reserve Fund Credit shall be granted if the amount then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).

14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax for Facilities prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Special Tax for Facilities Prepayment Amount").

From the Special Tax for Facilities Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire CFD No. 2006-1 IA JJ Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1 IA JJ.

The Special Tax for Facilities Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 2006-1 IA JJ Bonds. In such cases, 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 prepayment of CFD No. 2006-1 IA JJ Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax for Facilities levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax for Facilities levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax for Facilities and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no Special Tax for Facilities prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax for Facilities that may be levied on Taxable Property within CFD No. 2006-1 IA JJ (after excluding 12.82 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA JJ as set forth in Section E) both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as defined in Section A above, and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds.

2. Prepayment in Part

The Special Tax for Facilities on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment Amount

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

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax for Facilities obligation

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

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax for Facilities and the percentage by which the Special Tax for Facilities shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for Facilities for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2006-1 IA JJ that there has been a partial prepayment of the Special Tax for Facilities and that a portion of the Special Tax for Facilities with respect to such Assessor's Parcel, equal to the outstanding percentage $(1.00 - F)$ of the remaining Maximum Special Tax for Facilities, shall continue to be levied on such Assessor's Parcel pursuant to Section D above.

H. TERM OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities shall be levied until Fiscal Year 2058-2059, provided however that the Special Tax for Facilities will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2006-1 IA JJ Bonds have been paid; (ii) all Authorized Facilities have been acquired and all reimbursements required by the Funding Agreement have been paid; and (iii) all other obligations of CFD No. 2006-1 IA JJ have been satisfied. Bonds shall not be issued after eighteen (18) months have elapsed following the final inspection of the last Residential Property within CFD No. 2006-1 IA JJ, except as otherwise provided in the Funding Agreement.

I. SPECIAL TAX FOR SERVICES

The following additional definitions apply to this Section I:

"Developed Multifamily Unit" means a residential dwelling unit within a building in which each of the individual dwelling units has or shall have at least one common wall with another dwelling unit and a building permit has been issued by the City for such dwelling unit on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

"Developed Single Family Unit" means a residential dwelling unit other than a Developed Multifamily Unit on an Assessor's Parcel for which a building permit has been issued by the City on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Maximum Special Tax for Services” means the maximum Special Tax for Services that can be levied by CFD No. 2006-1 IA JJ in any Fiscal Year on any Assessor’s Parcel.

“Operating Fund” means a fund that shall be maintained for CFD No. 2006-1 IA JJ for any Fiscal Year to pay for the actual costs of maintenance related to the Service Area, and the applicable Administrative Expenses.

“Operating Fund Balance” means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

“Service Area” means parks, open space, and storm drains.

“Special Tax for Services” means any of the special taxes authorized to be levied within CFD No. 2006-1 IA JJ pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for CFD No. 2006-1 IA JJ equal to (i) the budgeted costs directly related to the Service Area, including maintenance, repair and replacement of certain components of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD No. 2006-1 IA JJ for the previous Fiscal Year, less (iv) the Operating Fund Balance, as determined by the CFD Administrator.

1. Rate and Method of Apportionment of the Special Tax for Services

Commencing Fiscal Year 2017-2018 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Services on (i) all Assessor’s Parcels containing a Developed Single Family Unit or Developed Multifamily Unit and (ii) all Assessor’s Parcels of Non-Residential Property, up to the applicable Maximum Special Tax for Services to fund the Special Tax Requirement for Services.

The Maximum Special Tax for Services for Fiscal Year 2017-2018 shall be \$306.91 per Developed Single Family Unit, \$153.47 per Developed Multifamily Unit, and \$691 per Acre for each Assessor’s Parcel of Non-Residential Property.

On each July 1, commencing July 1, 2018, the Maximum Special Tax for Services shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

J. DURATION OF SPECIAL TAX FOR SERVICES

The Special Tax for Services shall be levied in perpetuity to fund the Special Tax for Services Requirement, unless no longer required as determined at the sole discretion of the City Council.

K. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor’s Parcel is in error may submit a written appeal to CFD No. 2006-1 IA JJ. The CFD Administrator

shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The City Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be final and binding as to all persons.

ATTACHMENT "C"
PROPOSED RATE AND METHOD OF APPORTIONMENT
CITY OF LAKE ELSINORE
COMMUNITY FACILITIES DISTRICT NO. 2006-1 (SUMMERLY)
(PROPOSED IMPROVEMENT AREA KK)

A Special Tax shall be levied on all Assessor's Parcels in City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) Improvement Area KK ("CFD No. 2006-1 IA KK") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, in an amount determined through the application of this Rate and Method of Apportionment as described below. All of the real property in CFD No. 2006-1 IA KK, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

B. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-1 IA KK: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes (whether by the City or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2006-1 IA KK or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2006-1 IA KK or any designee thereof of complying with disclosure requirements of the City, CFD No. 2006-1 IA KK or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the City, CFD No. 2006-1 IA KK or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2006-1 IA KK for any other administrative purposes of CFD No. 2006-1 IA KK, including attorney's fees and other costs, and attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Approved Property" means all Assessor's 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 before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Special Tax for Facilities" means the Special Tax for Facilities for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) below.

"Authorized Facilities" means those authorize improvements, as listed in an exhibit to the Resolution of Formation.

"Backup Special Tax for Facilities" means the Special Tax for Facilities applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C.1.(c) below.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities, the Special Tax Requirement for Services as determined in accordance with Section I below, and providing for the levy and collection of the Special Taxes.

"CFD" or **"CFD No. 2006-1 IA KK"** means Improvement Area KK of CFD No. 2006-1 as identified on the boundary map for CFD No. 2006-1.

"CFD No. 2006-1" means City of Lake Elsinore Community Facilities District No. 2006-1 (Summerly) established by the City under the Act.

"CFD No. 2006-1 IA KK Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which Special Tax for Facilities within CFD No. 2006-1 IA KK have been pledged.

"City" means the City of Lake Elsinore.

"City Council" means the City Council of the City of Lake Elsinore, acting as the Legislative Body of CFD No. 2006-1 IA KK, or its designee.

"County" means the County of Riverside.

"Developed Property" means, with respect to the Special Tax for Facilities, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which the Final Subdivision was recorded on or before January 1 of the prior Fiscal Year and a building permit for new construction was issued on or before May 1 of the Fiscal Year preceding the Fiscal Year for which the Special Tax for Facilities is being levied. Once an Assessor's Parcel has been designated Developed Property, the Maximum Special Tax for Facilities cannot be reduced for any reason unless a prepayment in full or partial prepayment is made pursuant to Section G.

"Final Subdivision" means (i) a final map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or

portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued.

"Fiscal Year" means the period commencing on July 1st of any year and ending the following June 30th.

"Funding Agreement" means the Funding, Construction and Acquisition Agreement entered into by the City, on behalf of CFD No. 2006-1, as it may be amended.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 2006-1 IA KK Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax for Facilities" means the maximum Special Tax for Facilities, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City.

"Outstanding Bonds" means all CFD No. 2006-1 IA KK Bonds which are deemed to be outstanding under the Indenture.

"Property Owner's Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2006-1 IA KK that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax for Facilities levy to the Assigned Special Tax for Facilities is equal for all Assessor's Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax for Facilities levy per Acre to the Maximum Special Tax for Facilities per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section D below.

"Public Property" means , for each Fiscal Year, (i) any property within the boundaries of CFD No. 2006-1 IA KK owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public use has been granted, to the federal government, the State, the County, the City, the Lake Elsinore Unified School District, or any local government or other public agency as of January 1 of the previous Fiscal Year, provided 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; or (ii) any property within the boundaries of CFD No. 2006-1 IA KK that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

"Resolution of Formation" means the resolution of formation for CFD No. 2006-1 IA KK.

"Special Tax(es)" means any of the special taxes authorized to be levied within CFD No. 2006-1 IA KK pursuant to the Act.

"Special Tax for Facilities" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property to fund the Special Tax Requirement for Facilities.

"Special Tax for Facilities Requirement " means that amount required in any Fiscal Year for CFD No. 2006-1 IA KK to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the CFD No. 2006- 1 IA KK Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 2006-1 IA KK Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax for Facilities delinquencies; (vi) pay directly for acquisition or construction of Authorized Facilities to the extent that the inclusion of such amount does not increase the Special Tax for Facilities levy on Approved Property and Undeveloped Property; less (vii) a credit for funds available to reduce the annual Special Tax for Facilities levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1 IA KK which are not exempt from the Special Tax for Facilities pursuant to law or Section E below.

"Trustee" means the trustee, fiscal agent, or paying agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Taxable Public Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2006-1 IA KK shall be classified as Developed Property, Approved Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Classes 1 through 4 as listed in Table 1 below based on the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 5. With respect to Residential Property, the Residential Floor Area shall be determined from the most recent building permit issued for such Assessor's Parcel.

C. MAXIMUM SPECIAL TAX FOR FACILITIES

1. Developed Property

(a) Maximum Special Tax for Facilities

The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax for Facilities or (ii) the amount derived by application of the Backup Special Tax for Facilities.

(b) Assigned Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities for each Land Use Class is shown below in Table 1.

**TABLE 1
ASSIGNED SPECIAL TAX FOR FACILITIES FOR DEVELOPED PROPERTY
COMMUNITY FACILITIES DISTRICT NO. 2006-1 IMPROVEMENT AREA KK
FISCAL YEAR 2017-2018**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax for Facilities
1	Residential Property	Less than 1,600 sq. ft	\$1,740 per unit
2	Residential Property	1,600 – 1,799 sq. ft	\$1,850 per unit
3	Residential Property	1,800 – 1,999 sq. ft	\$1,916 per unit
4	Residential Property	Greater than 1,999 sq. ft.	\$1,990 per unit
5	Non-Residential Property	N/A	\$15,099 per Acre

(c) Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Backup Special Tax for Facilities attributable to a Final Subdivision will equal \$15,099, multiplied by the Acreage of all Taxable Property, exclusive of any Taxable Property Owner Association Property and Taxable Public Property, therein. The Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed by dividing the Backup Special Tax for Facilities attributable to the applicable Final Subdivision by the number of Assessor's Parcels for which building permits for residential construction have or may be issued (i.e., the number of residential lots). The Backup Special Tax for Facilities for each Assessor's Parcel of Non-Residential Property therein shall equal \$15,099 multiplied by the Acreage of such Assessor's Parcel.

If a Final Subdivision includes Assessor's Parcels of Taxable Property for which building permits for both residential and non-residential construction may be issued, exclusive of Taxable Property Owner Association Property and Taxable Public Property, then the Backup Special Tax for Facilities for each Assessor's Parcel of Residential Property shall be computed exclusive of the Acreage and Assessor's Parcels of property for which building permits for non-residential construction may be issued.

Notwithstanding the foregoing, if all or any portion of the Final Subdivision(s) described in the preceding paragraphs is subsequently changed or modified by recordation of a lot line adjustment or similar instrument, and only if the CFD Administrator determines that such change or modification results in a decrease in the number of Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued within such Final Subdivision, then the Backup Special Tax for Facilities for each Assessor's Parcel

of Developed Property that is part of the lot line adjustment or similar instrument for such Final Subdivision shall be a rate per Acre as calculated below. The Backup Special Tax for Facilities previously determined for an Assessor's Parcel of Developed Property that is not a part of the lot line adjustment or similar instrument for such Final Subdivision shall not be recalculated.

1. Determine the total Backup Special Tax for Facilities anticipated to apply to the changed or modified portion of the Final Subdivision area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified portion of the Final Subdivision area, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 above shall be the Backup Special Tax for Facilities per Acre which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified portion of the Final Subdivision area for all remaining Fiscal Years in which the Special Tax for Facilities may be levied.

(d) Release of Obligation to Pay and Disclose Backup Special Tax

All Assessor's Parcels within CFD No. 2006-1 IA KK will be relieved simultaneously and permanently from the obligation to pay and disclose the backup Special Tax if the CFD Administrator determines that the annual debt service required for the Outstanding Bonds, when compared to the Assigned Special Taxes for Facilities that may be levied against all Assessor's Parcels of Developed Property results in 110% debt service coverage (i.e., the aggregate Assigned Special Taxes for Facilities that may be levied against all Developed Property in each remaining Fiscal Year based on then existing development in CFD No. 2006-1 IA KK is at least equal to the sum of (i) the Administrative Expenses and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds).

(e) Increase in the Assigned Special Tax for Facilities and Backup Special Tax for Facilities

The Fiscal Year 2017-2018 Assigned Special Tax for Facilities, identified in Table 1 above, and Backup Special Tax for Facilities shall increase thereafter, commencing on July 1, 2018 and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(f) Multiple Land Use Classes

In some instances, an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax for Facilities levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax for Facilities for all Land Use Classes located on that Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property. Taxable Property Owner Association Property. Taxable Public Property. and Undeveloped Property

The Fiscal Year 2017-2018 Maximum Special Tax for Facilities for Approved Property, Taxable Property Owner Association Property, Taxable Public Property, and Undeveloped Property shall be \$15,099 per Acre and shall increase thereafter, commencing on July 1, 2018 and on July 1 of

each Fiscal Year thereafter, by an amount equal to two percent (2%) of the Maximum Special Tax for Facilities in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES

Commencing with Fiscal Year 2017-2018 and for each following Fiscal Year, the City Council shall determine the Special Tax Requirement for Facilities and levy the Special Tax for Facilities until the amount of Special Tax for Facilities levy equals the Special Tax Requirement for Facilities. The Special Tax for Facilities shall be levied each Fiscal Year as follows:

- Step One: The Special Tax for Facilities shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax for Facilities;
- Step Two: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax for Facilities for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps has been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Facilities for Undeveloped Property;
- Step Four: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the levy of the Special Tax for Facilities on each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is determined through the application of the Backup Special Tax for Facilities shall be increased in equal percentages from the Assigned Special Tax for Facilities up to the Maximum Special Tax for Facilities for each such Assessor's Parcel;
- Step Five: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, then the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Taxable Property Owner Association Property and Taxable Public Property at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

Notwithstanding the above, the City Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax for Facilities in step one (above), when (i) the City Council is no longer required to levy the Special Tax for Facilities pursuant to steps two through four above in order to meet the Special Tax Requirement for Facilities; (ii) all authorized CFD No. 2006-1 IA KK Bonds have already been issued or the City Council has covenanted that it will not issue any additional CFD No. 2006-1 IA KK Bonds (except refunding bonds) to be supported by the Special Tax for Facilities; and (iii) all Authorized Facilities have been constructed and/or acquired.

Further notwithstanding the above, under no circumstances will the Special Tax for Facilities levied against any Assessor's Parcel of Residential Property be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-1 IA KK.

E. EXEMPTIONS

No Special Tax for Facilities shall be levied on up to 7.13 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA KK. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Tax for Facilities under this section shall be subject to the levy of the Special Tax for Facilities and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the Maximum Special Tax for Facilities for Taxable Property Owner Association Property or Taxable Public Property.

F. MANNER OF COLLECTION

The Special Tax for Facilities shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2006-1 IA KK may collect Special Tax for Facilities at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

G. PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following additional definitions apply to this Section G:

"Buildout" means, for CFD No. 2006-1 IA KK, that all expected building permits have been issued.

"CFD Public Facilities Costs" means either \$4,125,000 in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to fund the Authorized Facilities to be provided by CFD No. 2006-1 IA KK under the authorized bonding program for CFD No. 2006-1 IA KK, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more CFD No. 2006-1 IA KK Bonds (except refunding bonds) to be supported by the Special Tax for Facilities levy under this Rate and Method of Apportionment as described in Section D above.

"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 CFD 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 Costs minus (i) public facility costs previously paid from the Improvement Fund, (ii) moneys currently on deposit in the Improvement Fund, and (iii) moneys currently on deposit in an escrow fund established pursuant to the Indenture that are expected to be available to finance the cost of Authorized Facilities.

"Improvement Fund" means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct Authorized Facilities eligible under the Act.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

1. Prepayment in Full

Only an Assessor's Parcel of Developed Property, or Undeveloped Property for which a building permit has been issued, may be prepaid. The obligation of the Assessor's Parcel to pay the Special Tax for Facilities may be permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of CFD No. 2006-1 IA KK Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax for Facilities Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	Capitalized Interest 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 Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax for Facilities and Backup Special Tax for Facilities for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for Facilities for the entire CFD No. 2006-1 IA

KK based on the Developed Property Special Tax for Facilities which could be levied in the current Fiscal Year on all expected development through Buildout of CFD No. 2006-1 IA KK, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax for Facilities computed pursuant to paragraph 2 by the total estimated Backup Special Tax for Facilities at Buildout for the entire CFD No. 2006-1 IA KK, excluding any Assessor's Parcels which have been prepaid.

4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "Bond Redemption Amount")

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute 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 Previously Issued Bonds.

9. Determine the Special Tax for Facilities levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax for Facilities Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses (defined below) from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. The administrative fees and expenses of CFD No. 2006-1 IA KK are as calculated by the CFD Administrator and include the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-1 IA KK Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (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 Previously Issued 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 Previously Issued 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. No Reserve Fund Credit shall be granted if the amount

then on deposit in the reserve fund for the Previously Issued Bonds is below 100% of the reserve requirement (as defined in the Indenture).

14. If any capitalized interest for the Previously Issued Bonds will not have been expended as of the date immediately following the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund or account under the Indenture after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax for Facilities prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Special Tax for Facilities Prepayment Amount").

From the Special Tax for Facilities Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire CFD No. 2006-1 IA KK Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1 IA KK.

The Special Tax for Facilities Prepayment Amount may be insufficient to redeem a full \$5,000 increment of CFD No. 2006-1 IA KK Bonds. In such cases, 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 prepayment of CFD No. 2006-1 IA KK Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax for Facilities levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax for Facilities levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax for Facilities and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax for Facilities shall cease.

Notwithstanding the foregoing, no Special Tax for Facilities prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax for Facilities that may be levied on Taxable Property within CFD No. 2006-1 IA KK (after excluding 12.85 Acres of Property Owner Association Property and/or Public Property in CFD No. 2006-1 IA KK as set forth in Section E) both prior to and after the proposed prepayment is at least equal to the sum of (i) the Administrative Expenses, as defined in Section A above, and (ii) 1.10 times maximum annual debt service, in each remaining Fiscal Year on the Outstanding Bonds.

2. Prepayment in Part

The Special Tax for Facilities on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.1.; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

PP = Partial Prepayment Amount

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

F = the percent by which the owner of the Assessor's Parcel(s) is partially prepaying the Maximum Special Tax for Facilities obligation

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

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax for Facilities and the percentage by which the Special Tax for Facilities shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for Facilities for an Assessor's Parcel within 30 days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City Council shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2006-1 IA KK that there has been a partial prepayment of the Special Tax for Facilities and that a portion of the Special Tax for Facilities with respect to such Assessor's Parcel, equal to the outstanding percentage $(1.00 - F)$ of the remaining Maximum Special Tax for Facilities, shall continue to be levied on such Assessor's Parcel pursuant to Section D above.

H. TERM OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities shall be levied until Fiscal Year 2058-2059, provided however that the Special Tax for Facilities will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 2006-1 IA KK Bonds have been paid; (ii) all Authorized Facilities have been acquired and all reimbursements required by the Funding Agreement have been paid; and (iii) all other obligations of CFD No. 2006-1 IA KK have been satisfied. Bonds shall not be issued after eighteen (18) months have elapsed following the final inspection of the last Residential Property within CFD No. 2006-1 IA KK, except as otherwise provided in the Funding Agreement.

I. SPECIAL TAX FOR SERVICES

The following additional definitions apply to this Section I:

“Developed Multifamily Unit” means a residential dwelling unit within a building in which each of the individual dwelling units has or shall have at least one common wall with another dwelling unit and a building permit has been issued by the City for such dwelling unit on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Developed Single Family Unit” means a residential dwelling unit other than a Developed Multifamily Unit on an Assessor’s Parcel for which a building permit has been issued by the City on or prior to May 1 preceding the Fiscal Year in which the Special Tax for Services is being levied.

“Maximum Special Tax for Services” means the maximum Special Tax for Services that can be levied by CFD No. 2006-1 IA KK in any Fiscal Year on any Assessor’s Parcel.

“Operating Fund” means a fund that shall be maintained for CFD No. 2006-1 IA KK for any Fiscal Year to pay for the actual costs of maintenance related to the Service Area, and the applicable Administrative Expenses.

“Operating Fund Balance” means the amount of funds in the Operating Fund at the end of the preceding Fiscal Year.

“Service Area” means parks, open space, and storm drains.

“Special Tax for Services” means any of the special taxes authorized to be levied within CFD No. 2006-1 IA KK pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for CFD No. 2006-1 IA KK equal to (i) the budgeted costs directly related to the Service Area, including maintenance, repair and replacement of certain components of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in CFD No. 2006-1 IA KK for the previous Fiscal Year, less (iv) the Operating Fund Balance, as determined by the CFD Administrator.

1. Rate and Method of Apportionment of the Special Tax for Services

Commencing Fiscal Year 2017-2018 and for each subsequent Fiscal Year, the City Council shall levy Special Taxes for Services on (i) all Assessor’s Parcels containing a Developed Single Family Unit or Developed Multifamily Unit and (ii) all Assessor’s Parcels of Non-Residential Property, up to the applicable Maximum Special Tax for Services to fund the Special Tax Requirement for Services.

The Maximum Special Tax for Services for Fiscal Year 2017-2018 shall be \$306.91 per Developed Single Family Unit, \$153.47 per Developed Multifamily Unit, and \$691 per Acre for each Assessor’s Parcel of Non-Residential Property.

On each July 1, commencing July 1, 2018, the Maximum Special Tax for Services shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

J. DURATION OF SPECIAL TAX FOR SERVICES

The Special Tax for Services shall be levied in perpetuity to fund the Special Tax for Services Requirement, unless no longer required as determined at the sole discretion of the City Council.

K. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on their Assessor's Parcel is in error may submit a written appeal to CFD No. 2006-1 IA KK. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The City Council may interpret this Rate and Method of Apportionment for purposes of clarifying any ambiguity and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals. Any decision of the City Council shall be final and binding as to all persons.

ATTACHMENT "D"

AUTHORIZED IMPROVEMENTS AND INCIDENTAL EXPENSES

The facilities proposed to be financed for each of Improvement Area JJ and Improvement Area KK are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which the District is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the City as a result of development or rehabilitation occurring within the District, including but not limited to streets, streetscape, park and recreation facilities, storm drain, other City facilities and fees, water and sewer facilities and fees of the Elsinore Valley Municipal Water District, and related costs including designs, inspections, professional fees, annexation fees, connection fees and acquisition costs (the "Facilities"), and all appurtenances and appurtenant work in connection with the foregoing Facilities, including the cost of engineering, planning, designing, materials testing, coordination, construction staking, construction management and supervision for such Facilities, and to finance the incidental expenses to be incurred, including (together the "Facilities Incidental Expenses"):

- a. The cost of engineering, planning and designing the Facilities;
- b. All costs, including costs of the property owner petitioning to form the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and
- c. Any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities.

Such Facilities need not be physically located within the District.

AUTHORIZED SERVICES AND INCIDENTAL EXPENSES

The services which may be funded with proceeds of the Services Special Tax, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing parks, open space and storm drains (may include reserves for replacement) (collectively, the "Services").

In addition to payment of the cost and expense of the forgoing services, proceeds of Services Special Tax may be expended to pay "Administrative Expenses," as said term is defined in the Rate and Method of Apportionment (together, the "S