

RESOLUTION NUMBER 3992

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PERRIS AUTHORIZING THE CHANGES TO THE SPECIAL TAXES WITHIN COMMUNITY FACILITIES DISTRICT NO. 2006-3 (ALDER) OF THE CITY OF PERRIS; AND TAKING CERTAIN OTHER ACTIONS RELATING TO SAID DISTRICT

WHEREAS, the City Council (the “Council”) of the City of Perris, California (the “City”), on May 8, 2007, has heretofore adopted its resolution of consideration (the “Resolution of Consideration”) stating its intention to make certain changes within Community Facilities District No. 2006-3 (Alder) of the City of Perris (the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, (the “Act”) being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California; and

WHEREAS, the changes to the District include (i) changes to the maximum bonded indebtedness for the District; and (ii) changes to the special tax and the rate and method of apportionment of the special tax (the “Changes”); and

WHEREAS, a copy of the Resolution of Consideration, incorporating a description of the boundaries of the District, setting forth the rate and method of apportionment and manner of collection of the special tax to be levied within the District, and describing the facilities authorized to be financed in the District, is on file with the City Clerk and incorporated herein by reference with such changes to the terms thereof, including, but not limited to, revisions to the rate and method of apportionment of the special tax as have been made and submitted with the Resolution of Consideration and the Resolution Calling Special Elections (as defined hereafter); and

WHEREAS, the City Council has heretofore received a request from the landowners (“Owners”) of all the property within the District, requesting certain changes to the amount of bonded indebtedness and the maximum special taxes within the District; and

WHEREAS, a report by each City officer who is or will be responsible for the District (the “Report”) has been filed with the Council pursuant to the Resolution of Consideration; and

WHEREAS, the Resolution of Consideration set June 12, 2007, as the date of the public hearings on the changes within the District; and

WHEREAS, at said hearings all persons within the District and not exempt from the special tax desiring to be heard on all matters pertaining to the changes within the District were heard, and full and fair hearings were held; and

WHEREAS, following such public hearings, this Council adopted a resolution determining necessity to incur bonded indebtedness within the District and calling a special election to be held within the District (the “Resolution Calling Special Elections”); and

WHEREAS, on June 12, 2007, an election in the District on the proposition identified in the Resolution Calling Special Elections was duly held; and

WHEREAS, following such election, this Council adopted a resolution declaring the results of the special election, wherein this Council determined that the proposition within the District was approved by more than two-thirds of the qualified electors within the District (“Resolution Declaring Results”);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Perris, California, as follows:

Section 1. That the above recitals are all true and correct.

Section 2. Pursuant to Section 53325.1(b) of the Government Code, the Council finds and determines that the proceedings prior hereto were valid and in conformity with the requirements of the Act, including, without limitation, the following:

- A. Filing of a petition of a landowner requesting institution of change proceedings to the District;
- B. Adoption of a Resolution of Consideration regarding the changes to the District;
- C. Adoption of a Resolution of Intention to Incur Bonded Indebtedness in an amount not to exceed \$6,000,000 within the District;
- D. Publication and mailing of notice of public hearings, or waiver thereof, on the changes to the District and of the proposed debt issue;
- E. Conducting of public hearings on the changes to the District, the proposed public facilities, and the incurring of the proposed debt, at which time all interested persons or taxpayers not exempt from the special tax within the District were permitted to protest orally or in writing against the changes to the District, were permitted to file written protests to the regularity or sufficiency of the proceedings, and any person interested, including persons owning property within the District, were permitted to appear and present any matters material to the questions set forth in the Resolution of Intention to Incur Bonded Indebtedness and Resolution of Consideration.

- F. Adoption of a Resolution Calling Special Elections.
- G. Holding of Special Elections within the District on the proposition of approving the Changes.
- H. Adoption of the Resolution Declaring Results.

Section 3. The Report, as submitted, has been approved and is made a part of the record of the hearing.

Section 4. The description and map of the boundaries of the District on file in the City Clerk's office have been recorded in the Office of the County Recorder of Riverside County, California, as Document No. 2006-0674633 in Book 67, Page 96 of the Books of Maps of Assessment and Community Facilities Districts.

Section 5. The types of public facilities and fees ("Facilities") authorized to be provided within the District include certain real and other tangible property with an estimated useful life of five years or longer, including public infrastructure facilities and other governmental facilities which the City is authorized by law to construct, own or operate, within or without the District, which are necessary to meet increased demands placed upon the City as a result of development or rehabilitation occurring within the District. The Facilities are more fully described in Exhibit "B", attached hereto and by this reference incorporated herein.

Section 6. Except where funds are otherwise available, there shall be levied annually, in accordance with procedures contained in the Act, a special tax within the District, secured by recordation of a continuing lien against all nonexempt real property in the District, sufficient to pay for: (i) the Facilities and Incidental Expenses; 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, delinquency funds deemed necessary by the District with respect to 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). The revised rate and method of apportionment and manner of collection of the special tax within the District is described in detail in Exhibit "A" with respect to the District ("Exhibit "A"), attached hereto and incorporated herein by this reference, which Special Tax has been revised pursuant to the Report.

Section 7. If special taxes of the District are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time except that it may be increased by an amount not to exceed two percent (2%) per year to the extent permitted in the rate and method of apportionment; (ii) such tax shall be levied for a period not to exceed forty (40) years commencing with Fiscal Year 2007-2008, as further described in Exhibit "A" hereto; and (iii) under no circumstances will such special tax be increased, as a consequence of delinquency or default by the owner of any other parcels within the District, by more than ten percent (10%).

Section 8. The special tax within the District is based on the expected demand that each parcel of real property within the District will place on the Facilities, on the benefit that each parcel derives from the right to access the Facilities, and on other factors. The Council hereby determines the rate and method of apportionment of the special tax set forth in Exhibit “A” to be reasonable. The special tax within the District is apportioned to each parcel on the foregoing basis, pursuant to Section 53325.3 of the Act, and such special tax is not based upon the value or ownership of real property. In the event that a portion of the property within the District shall become, for any reason, exempt, wholly or partially, from the levy of the special tax specified on Exhibit “A”, the Council shall, on behalf of the District, cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Exhibit “A”, to the extent necessary upon the remaining property within the District which is not delinquent or exempt, in order to yield the special tax revenues required for the purposes described herein. The obligation to pay special taxes may be prepaid as set forth in Exhibit “A.”

Section 9. Pursuant to and in compliance with the provisions of Government Code Section 50075.1, the City Council hereby establishes the following accountability measures pertaining to the levy by the District of the Special Tax as described in Section 7 above:

- A. Such Special Tax within the District shall be levied for the specific purposes set forth in Section 6 hereof.
- B. The proceeds of the levy of such Special Tax within the District shall be applied only to the specific purposes set forth in Section 6 hereof.
- C. The District shall establish an account or accounts into which the proceeds of such Special Tax shall be deposited.
- D. The City Manager, Assistant City Manager or Finance Director, or his or her designee, acting for and on behalf of the CFD, shall annually file a report with the City Council as required pursuant to Government Code Section 50075.3.

Section 10. Upon recordation of a notice of the amended special tax lien pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property in the District, and this lien shall continue in force and effect until the special tax obligation is prepaid or otherwise permanently satisfied and the lien cancelled in accordance with law, or until collection of the tax by the District ceases. The City Clerk is hereby ordered to promptly record an Amended and Restated Notice of Special Tax Lien, in the form approved by the City’s bond counsel, for the District.

Section 11. The Council finds that the Facilities are necessary to meet the increased demand put upon the City as a result of the development within the District.

Section 12. The Council finds that there is not an *ad valorem* property tax currently being levied on property within the District for the exclusive purpose of paying principal of or interest on bonds or other indebtedness incurred to finance construction of capital facilities which provide the same services to the territory of the District of District as provided by the Facilities.

Section 13. An appropriation limit for the District is hereby established as an amount equal to all the proceeds of the special tax collected annually and as defined by Article XIII B of the California Constitution, as adjusted for changes in the cost of living and changes in population.

Section 14. Pursuant to Section 53338(b) of the Government Code, the Council finds and determines that the new special taxes and Changes within the District are lawfully authorized.

Section 15. Upon adoption of this Resolution, the Clerk of the City shall record the amended notice of special tax lien with respect to the District pursuant to Section 3117.5 of the California Streets and Highways Code (the "Notice of Special Tax Lien"). The Notice of Special Tax Lien with respect to the District described therein shall supersede Document No. 2006-0850621, recorded on November 17, 2006 (the "Original Lien"), as such Original Lien applies to the District, and the City Clerk is hereby authorized to take whatever action is necessary to effectuate the purposes of this Section.

Section 16. The Office of the City Clerk, 101 North "D" Street, Perris, California, or its designee, is designated to be responsible for preparing annually a current roll of special tax levy obligations by assessor's parcel number and for estimating future special tax levies within the District pursuant to 53340.2 of the Government Code.

ADOPTED, SIGNED and APPROVED this 12th day of June, 2007.

Mayor, Daryl R. Busch

ATTEST:

City Clerk, Judy L. Haughney

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) §
CITY OF PERRIS)

I, Judy L. Haughney, CITY CLERK OF THE CITY OF PERRIS, CALIFORNIA, DO HEREBY CERTIFY that the foregoing Resolution Number 3992 was duly and regularly adopted by the City Council of the City of Perris at a regular meeting thereof held the 12th day of June, 2007, and that it was so adopted by the following called vote:

AYES: Motte, Yarbrough, Landers, Busch

NOES:

ABSENT: Rogers

ABSTAIN:

City Clerk, Judy L. Haughney

EXHIBIT “A”
(RESOLUTION NUMBER 3992)

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT
COMMUNITY FACILITIES DISTRICT NO. 2006-3
(ALDER)

A Special Tax shall be levied on all Taxable Property within the boundaries of Community Facilities District No. 2006-3 (Alder) of the City of Perris (“CFD No. 2006-3”) and collected according to the tax liability determined by the Council, through the application of this Amended and Restated Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. 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, other recorded County parcel map, or other similar instrument. An Acre means 43,560 square feet of land.

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

“Administrative Fees” or “Administrative Expenses” means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2006-3 including, but not limited to: the costs of computing the Special Taxes; the costs of 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, the County 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. 2006-3, or any designee thereof complying with arbitrage rebate requirements, including, without limitation, rebate liability costs and periodic rebate calculations; the costs to the City, CFD No. 2006-3, or any designee thereof complying with disclosure or reporting requirements of the City or CFD No. 2006-3, associated with applicable federal and State laws; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs to the City, CFD No. 2006-3, or any designee thereof related to an appeal of the Special Tax; and the City’s annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 2006-3 for any other administrative purposes of CFD No. 2006-3, including attorney’s fees and other costs related to commencing and pursuing any foreclosure of delinquent Special Taxes.

“Annual Special Tax” means the Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“Assessor” means the Assessor of the County of Riverside.

“Assessor's Parcel” means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

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

“Backup Special Tax” means a one-time special tax that may be required to be paid prior to the approval of a proposed land use, entitlement change or permit issuance, subject to the conditions and as set forth in Section 5.

“Bonds” means any bonds or other indebtedness (as defined in the Act) of CFD No. 2006-3, whether in one or more series, secured by the levy of Special Taxes.

“Builder” means a home builder other than the Developer acting as the builder of Residential Units within CFD No. 2006-3.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2006-3 issued by the City.

“Building Square Footage” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor's Parcel.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD No. 2006-3” means the Community Facilities District No. 2006-3 (Alder) of the City of Perris.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and calculating the Backup Special Tax.

“CFD Formation” means the date at which the City Council approved the formation of CFD No. 2006-3 in accordance with the provisions of the Act.

“City” means the City of Perris, California.

“Council” means the City Council of the City acting as the legislative body of the CFD under the Act.

“County” means the County of Riverside, California.

“Debt Service” means, for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Provisional Undeveloped Property, for which a Building Permit for new construction or renovations was issued prior to April 1 of the previous Fiscal Year.

“Developer” means the developer and their successors, if any, acting as the developer of the property in CFD No. 2006-3.

“Development Plan” means a plan of Residential Units proposed to be built within CFD No. 2006-3 as provided by the Developer or Builder(s). The Development Plan shall include the number, square footage, and base sales price of the Residential Units. The Developer or Builder shall file with the City an amended Development Plan prior to the issuance of any Building Permits if there is a change in the number and square footage of the Residential Units.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 10.

“Expected Land Uses” means the total number of Residential Units and Building Square Footage expected to be constructed within CFD No. 2006-3, as determined from time to time by the CFD Administrator by applying the steps described in Section 5 below. The Expected Land Uses at CFD Formation are summarized in Exhibit A hereto; the CFD Administrator shall update Exhibit A if (i) a Mandatory Maximum Special Tax Reduction is applied in accordance with Section 8 below; or (ii) a change occurs to the Development Plan that would change the number of Residential Units within each Land Use Classification as shown in Exhibit A.

“Expected Maximum Special Tax Revenues” means the amount of annual revenue that would be available if the Maximum Special Tax was levied on the Expected Land Uses. The Expected Maximum Special Tax Revenues as of CFD Formation are shown in Exhibit A to this Amended and Restated Rate and Method of Apportionment.

“Facilities” means facilities, fees or improvements authorized to be funded by CFD No. 2006-3.

“Final Bond Sale” means the last series of Bonds that will be issued on behalf of CFD No. 2006-3 (excluding any Bond refundings), as determined in the sole discretion of the City.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410, *et seq.*) or recordation of a condominium plan pursuant to California Civil

Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

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

“Land Use Class” means any of the classes listed in Table 1 under Section 3 below.

“Lot” means a parcel created by a Final Subdivision Map on which a single-family residential home can be constructed.

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of a portion of the Maximum Special Tax prior to the issuance of bonds as set forth in Section 8 below.

“Maximum Special Tax” means the amount of Special Tax, determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax Obligation applicable to a parcel of Taxable Property as set forth in Section 7.B below.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of CFD No. 2006-3 owned in fee by a property owner association, including any master or sub-association.

“Property Tax Burden” means the total estimated amount of taxes a residential owner would expect to pay, including *ad valorem* property taxes, special assessments, fees and charges placed on the County property tax bill.

“Proportionately” or “Proportionate” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax 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 4 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Public Property, Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 10, but cannot be classified as Exempt

Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 10.

“Public Property” means any property within the boundaries of CFD No. 2006-3 which is owned by, or irrevocably offered for dedication to, the federal government, the State of California, the County, the City, or any other public agency; provided, however, that any property owned by a public agency and leased to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“Special Tax” means any special tax levied within CFD No. 2006-3 pursuant to the Act and this Amended and Restated Rate and Method of Apportionment.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2006-3.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including, but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Fees and Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of Facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax 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. 2006-3, which are not exempt from the levy of the Special Tax pursuant to law or Section 10 below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Provisional Undeveloped Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2007-2008, each Assessor’s Parcel within CFD No. 2006-3 shall be classified as Taxable Property or Exempt Property. In addition, all

Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Amended and Restated Rate and Method of Apportionment determined pursuant to Sections 3, 4 and 5 below. Furthermore, each Assessor's Parcels of Developed Property shall be further classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2007-2008 shall be determined pursuant to Table 1 below.

**Table 1
Maximum Special Tax Rates
Fiscal Year 2007-2008**

Land Use Class	Building Square Footage	Maximum Special Tax
1	Less than 2,000 Sq. Ft.	\$2,188 per Residential Unit
2	2,000 – 2,199 Sq. Ft.	\$2,385 per Residential Unit
3	2,200 – 2,399 Sq. Ft.	\$2,483 per Residential Unit
4	2,400 – 2,599 Sq. Ft.	\$2,581 per Residential Unit
5	2,600 – 2,799 Sq. Ft.	\$2,670 per Residential Unit
6	2,800 Sq. Ft. and Greater	\$2,837 per Residential Unit

Each July 1, commencing July 1, 2008, the Maximum Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Provisional Undeveloped Property and Undeveloped Property

The Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall be \$14,293 per Acre for Fiscal Year 2007-2008. On July 1st of each Fiscal Year, commencing July 1, 2008, the Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall increase by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

For each Fiscal Year, commencing Fiscal Year 2007-2008, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property in an amount up to 100% of the applicable Maximum Special Tax as necessary to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after Step 1 has been completed, the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, up to 100% of the Maximum Special Tax;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Annual Special Tax shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Annual Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased from the previous Fiscal Year by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2006-3, except for those Assessor Parcel's of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more properties within CFD No. 2006-3.

5. BACKUP SPECIAL TAX

The Maximum Special Taxes set forth in Section 3 were calculated based on the Expected Land Uses at CFD Formation. The CFD Administrator shall review all applicable Final Subdivision Maps and the Development Plan of CFD No. 2006-3 to confirm that the Final Subdivision Maps and Development Plan reflect the number and size of Residential Units that were anticipated at the time of CFD Formation. The Developer and/or Builder shall file an amended Development Plan with the City after CFD Formation any time there is a change in the number and/or size of Residential Units.

Prior to Final Bond Sale

If, prior to the issuance of the Final Bond Sale, a change to the Expected Land Uses ("Land Use/Entitlement Change") is submitted by the Developer or Builder that will result in a reduction the Expected Maximum Special Tax Revenues, or a Mandatory Maximum Special Tax Reduction is applied pursuant to Section 8 of this Amended and Restated Rate and Method of Apportionment, or any combination thereof, no action shall be required pursuant to this Section 5, provided that the reduction in Expected Maximum Special Tax Revenues does not reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual

Debt Service on all Outstanding Bonds. The CFD Administrator shall update Exhibit A to show the reduced Expected Maximum Special Tax Revenues, and the reduced Expected Maximum Special Tax Revenues shall be the amount used by the City to make future decisions with respect to Bonds.

Subsequent to Final Bond Sale

If a proposed Land Use/Entitlement Change or Development Plan submitted by the Developer or Builder would reduce the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property to less than 1.1 times the annual Debt Service on all Outstanding Bonds, the following steps shall be applied:

Step 1: By reference to Exhibit A (which shall be updated by the CFD Administrator in accordance with this Section 5 each time a Land Use/Entitlement change is processed, the Development Plan is changed or a Mandatory Maximum Special Tax Reduction is applied) and by computing the Maximum Special Tax rates in accordance with Section 3 for the current Fiscal Year, the CFD Administrator shall calculate the Expected Maximum Special Tax Revenues for CFD No. 2006-3.

Step 2: The CFD Administrator shall calculate the Maximum Special Tax revenues that could be collected from property in the CFD if the Land Use/Entitlement Change is approved or the Development Plan is changed (“Proposed Maximum Special Tax Revenues”);

Step 3: If the amount determined in the second step is higher than that calculated in the first step, the Land Use/Entitlement Change may be approved or the Development Plan may change without further action. If the revenues calculated in Step 2 are less than those calculated in Step 1, the Developer or Builder shall pay a one-time Backup Special Tax in an amount equal to the difference in the Maximum Special Tax Revenues calculated in Steps 1 and 2 utilizing the methodology set forth in Section 7. The Backup Special Tax required by this Step shall be paid prior to the approval of the proposed Land Use/Entitlement Change or the issuance of additional building permits.

If multiple Land Use/Entitlement Changes are proposed at one time, the CFD Administrator may consider the combined effect of all Land Use/Entitlement Changes to determine if a reduction in Expected Maximum Special Tax Revenues necessitates implementation of Step 3. If the CFD Administrator determines that there is a reduction in Expected Maximum Special Tax Revenues, and all of the Land Use/Entitlement Changes are being proposed by the same property owner, the CFD Administrator shall determine the amount to be prepaid (pursuant to Step 3) by analyzing the combined effects of all of the proposed Land Use/Entitlement Changes. Notwithstanding the foregoing, if the CFD Administrator analyzes the combined effects of all the proposed Land Use/Entitlement changes, and the City subsequently does not approve any one or more of the proposed Land Use/Entitlement Changes, then the CFD Administrator shall

again apply the three steps set forth above to determine the combined effect of the multiple Land Use/Entitlement Changes that were approved simultaneously by the City.

6. COLLECTION OF SPECIAL TAXES

Collection of the Annual Special Tax shall be made by the County in the same manner as ordinary *ad valorem* property taxes are collected, and the Annual Special Tax shall be subject to the same penalties and the same lien priority, in the case of delinquency, as *ad valorem* taxes; provided, however, that the Council may provide for (i) other means of collecting the Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the conditions set forth in this Section 7.

The following definitions apply to this Section 7:

“CFD Public Facilities Costs” means \$5,602,652 in 2006 dollars, which shall increase by the Construction Inflation Index on July 1, 2007, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities authorized to be financed for CFD No. 2006-3, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 2006-3 Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds which are currently available for expenditure to acquire or construct the facilities or pay fees.

“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 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) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year,

excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

“Previously Issued Bonds” means all CFD No. 2006-3 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax 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 Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than 60 days prior to any redemption date for the CFD No. 2006-3 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Prepayment Amount
plus	Defeasance Amount
plus	Prepayment Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

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

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For Assessor’s Parcels of Developed Property, determine the Maximum Special Tax. For Assessor’s Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax 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. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Taxes for CFD No. 2006-3 based on the Developed Property Special Taxes which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2006-3 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding 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 (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment 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 Outstanding Bonds.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").
11. Verify the administrative fees and expenses of CFD No. 2006-3, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 2006-3, and the costs of recording any notices to evidence the prepayment and the redemption (the "Prepayment Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the “Prepayment Amount”).
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2006-3.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of CFD No. 2006-3 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 redeem CFD No. 2006-3 Bonds to be used with the next prepayment of CFD No. 2006-3 Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor’s Parcel, and the Special Tax Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the aggregate amount of Maximum Special Taxes less Administrative Expenses that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the maximum annual Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax on an Assessor’s Parcel of Developed Property or 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 7.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section 7.A.

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (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 shall (i) distribute the funds remitted to it according to Section 7.A., and (ii) indicate in the records of CFD No. 2006-3 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

8. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden shall be calculated pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of CFD Formation (the "Goals and Policies") on Developed Property by the CFD Administrator. The Maximum Special Tax on Developed Property set forth in Section 3.A of this Amended and Restated Rate and Method of Apportionment shall be reduced if it is reasonably determined by the CFD Administrator that the Property Tax Burden of any Residential Unit exceeds the maximum level allowed in the Goals and Policies.

If the Mandatory Maximum Special Tax Reduction is implemented, then the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Taxes.

9. TERM OF SPECIAL TAX

The Annual Special Tax shall be levied for a period of thirty-five (35) years after the last series of Bonds has been issued, but shall not be levied for a period to exceed forty (40) Fiscal Years commencing with Fiscal Year 2007-2008.

10. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels of Public Property, (ii) Assessor's Parcels of Property Owner Association Property, (iii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iv) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, or (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in CFD No. 2006-3 to less than 22.95 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2006-3 to less than 22.95 acres of Acreage shall be classified as Provisional Undeveloped Property, and will continue to be subject to the CFD No. 2006-3 Special Taxes accordingly. Tax-exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of Section 10 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

11. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If, following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If, following such consultation and action, if any, by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager, or designee of the City, appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager, or designee, may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager, or designee thereof, shall interpret this Amended and Restated Rate and Method of Apportionment and make determinations relative to the administration of the Special Tax and any landowner appeals as herein specified. The decision of the City Manager, or designee, shall be final and binding as to all persons.

EXHIBIT A

EXPECTED LAND USES AND EXPECTED MAXIMUM SPECIAL TAX REVENUES

Land Use Class	Building Square Footage	Number of Expected Units	Maximum Special Tax FY 2007-2008*	Total Expected Annual Special Tax Revenues*
1	Less than 2,000 Sq. Ft.	25	\$2,188	\$54,700
2	2,000 – 2,199 Sq. Ft.	36	2,385	85,860
3	2,200 – 2,399 Sq. Ft.	30	2,483	74,490
4	2,400 – 2,599 Sq. Ft.	15	2,581	38,715
5	2,600 – 2,799 Sq. Ft.	14	2,670	37,380
6	<u>2,800 Sq. Ft. and Greater</u>	<u>13</u>	<u>2,837</u>	<u>36,881</u>
Total	NA	133	NA	\$328,026

TOTAL EXPECTED ANNUAL MAXIMUM SPECIAL TAX REVENUES \$328,026

*Amounts are shown in Fiscal Year 2007-2008 dollars and shall escalate by two percent (2.0%) for each Fiscal Year thereafter.

EXHIBIT “B”
(RESOLUTION NUMBER 3992)

TYPES OF FACILITIES TO BE FINANCED BY
THE DISTRICT OF
COMMUNITY FACILITIES DISTRICT NO. 2006-3
(ALDER)

The General Description of the Facilities that may be acquired or constructed is as follows:

- Street facilities, including, but not limited to, major arterials, highways, intersections, access ramps, roadways, sidewalk, curb, gutters, striping, lighting, traffic signalization, signage, landscaping of public streets and rights-of-way and appurtenant facilities;
- Storm control facilities, including, but not limited to, storm drains, channels, detention, headwalls, riprap pads, retention and/or catch basins and appurtenant facilities;
- Sewer improvements, sanitary sewers, including, but not limited to, lift stations, force mains, pump stations, transmission and main lines, valves, and appurtenant facilities;
- Domestic water facilities, including, but not limited to, reservoirs, pump stations, transmission lines, distribution facilities, main lines, valves, fire hydrants and appurtenant facilities;
- Park, recreational facilities, open space and appurtenant facilities;
- Impact and other fees, including, but not limited to, TUMF, DIF, school fees, water fees, drainage fees, sewer treatment and connection fees, water supply fees, water meter fees, water connection fees, storm drain fees, capital facilities’ fees and other city fees and all capital facilities which are part of these fee programs and capital improvement programs;
- Incidental expenses.
- City facilities.
- School facilities.

OTHER

The District may also finance any of the following:

1. Bond related expenses, including underwriters' discount, reserve fund, capitalized interest, financial advisor fees and expenses, bond and disclosure counsel, special tax consultant fees and expenses, dissemination agent fees and all other incidental expenses.
2. Administrative fees of the City and the Bond trustee or fiscal agent related to the District and the Bonds.
3. Reimbursement of costs related to the formation of the District advanced by the City or any related entity, or any landowner or developer within the District, as well as reimbursement of any costs advanced by the City or any related entity, or any landowner or developer within the District, for facilities or other purposes or costs of the District.

This description of the public capital facilities is general in nature. The final nature and location of improvements and facilities will be determined upon the preparation of final plans and specifications. The final plans and specifications may show substitutes in lieu of, or modifications to, proposed work. Any such substitution shall not be a change or modification in the proceedings as long as the facilities provide a service substantially similar to that as set forth in the Report.