

ORDINANCE NO. 3385

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CORONA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD) OF THE CITY OF CORONA LEVYING SPECIAL TAXES

WHEREAS, the City Council of the City of Corona (the “City Council”) has previously formed Community Facilities District No. 2018-1 (Bedford) of the City of Corona (the “Community Facilities District”); and

WHEREAS, the City Council adopted Ordinance No. 3278 on July 5, 2018 (the “Original Ordinance”) levying special taxes in the Community Facilities District and Ordinance No. 3385 on November 1, 2023 (the “2023 Ordinance”) levying special taxes on territory annexed to the Community Facilities District as Annexation No. 1, pursuant to the Rate and Method of Apportionment for Improvement Area No. 3 and Improvement Area No. 4 of Community Facilities District No. 2018-1 (Bedford) of the City of Corona attached to the resolution forming the Community Facilities District (the “Original RMAs”); and

WHEREAS, the City Council has conducted proceedings within Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California (the “Act”) to amend and restate the Original RMAs; and

WHEREAS, notice was published as required by the Act relative to the intention of the City Council to amend and restate the Original RMAs and to implement, among other things, changes in the rates of special tax to be levied on parcels of taxable property in Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District, as provided in the Amended and Restated Rate and Method of Apportionment For Improvement Area No. 3 and Improvement Area No. 4 of Community Facilities District No. 2018-1 (Bedford) of the City of Corona (together, the “Amended and Restated RMAs”); and

WHEREAS, the City Council has held a noticed public hearing as required by the Act relative to the determination to proceed with adoption of the Amended and Restated RMAs; and

WHEREAS, at said hearing all persons desiring to be heard on all matters pertaining to consideration of the Amended and Restated RMAs of the Community Facilities District and the levy of said special taxes therein were heard, substantial evidence was presented and considered by the City Council, and a full and fair hearing was held; and

WHEREAS, subsequent to said hearing, the City Council adopted a resolution calling for a consolidated special election of Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District on propositions regarding the amendment and restatement of the Original RMAs; and

WHEREAS, an election was held within Improvement Area No. 3 and Improvement Area NO. 4 of the Community Facilities District in which the eligible landowner electors approved said propositions by more than the two-thirds vote required by the Act; and

WHEREAS, this Ordinance and the Amended and Restated RMAs shall govern the levy of special taxes with respect to Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District, and the Original Ordinance and the 2023 Ordinance shall no longer control with respect to the levy of special taxes in Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CORONA, ACTING AS THE LEGISLATIVE BODY OF COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD) OF THE CITY OF CORONA, DOES HEREBY ORDAIN AND DETERMINE AS FOLLOWS:

SECTION 1. By the passage of this Ordinance, the City Council hereby authorizes and levies special taxes within Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District pursuant to California Government Code Sections 53328 and 53340, at the respective rates and in accordance with the Amended and Restated RMAs, as set forth in Exhibit “A” and “A-1” to Resolution No. 2023-097 adopted by the City Council on September 20, 2023 and attached hereto as Exhibit A. The special taxes for Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District are hereby levied commencing in Fiscal Year 2024-25 and in each fiscal year thereafter, pursuant to the Amended and Restated RMAs, until payment in full of any bonds issued by Improvement Area No. 3 or Improvement Area No. 4 of the Community Facilities District (the “Bonds”), payment of all costs of the facilities to be paid with such funds, and payment of all costs of administering the Community Facilities District.

SECTION 2. The City Council is hereby further authorized and directed each fiscal year to determine the specific special tax rate and amount to be levied for the next ensuing fiscal year for each parcel of real property within Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District, in the manner and as provided in the Amended and Restated RMAs.

SECTION 3. Properties or entities of the State, federal or local governments shall be exempt from any levy of the special taxes, to the extent set forth in the Amended and Restated RMAs for the Community Facilities District. In no event shall the special taxes to be levied on any parcel within Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District be in excess of the maximum tax specified in the Amended and Restated RMAs.

SECTION 4. All of the collections of the special tax for Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District shall be used as provided for in the Act, the Amended and Restated RMAs, and in the Resolution of Formation adopted on June 20, 2018, including, but not limited to, the payment of principal and interest on the Bonds, the replenishment of the reserve fund for any such Bonds, the payment of the costs of the public facilities for Improvement Area No. 3 and Improvement Area No 4 of the Community Facilities District, the payment of the costs of City of Corona in administering the Community Facilities District and the costs of collecting and administering the special taxes levied in the Community Facilities District.

SECTION 5. The special taxes shall be collected from time to time as necessary to meet the financial obligations of the Community Facilities District on the secured real property tax roll in the same manner as ordinary *ad valorem* taxes are collected. The City of Corona is hereby authorized and directed to provide all necessary information to the auditor/tax collector of the County of Riverside and to otherwise take all actions necessary in order to effect proper billing and collection of the special tax, so that the special tax shall be levied and collected in sufficient amounts and at the times necessary to satisfy the financial obligations of the Community Facilities District in each fiscal year as provided in the Amended and Restated RMAs of the Community Facilities District.

The special taxes shall have the same lien priority, and be subject to the same penalties and the same procedure and sale in cases of delinquency as provided for *ad valorem* taxes. In addition, the provision of Section 53356.1 of the Act shall apply to delinquent special tax payments.

SECTION 6. If for any reason any portion of this Ordinance is found to be invalid, or if the special tax is found inapplicable to any particular parcel within Improvement Area No. 3 or Improvement Area No. 4 of the Community Facilities District, by a court of competent jurisdiction, the balance of this ordinance and the application of the special tax to the remaining parcels within Improvement Area No. 3 and Improvement Area No. 4 of the Community Facilities District shall not be affected.

SECTION 7. The Mayor shall sign this ordinance and the City Clerk of the City shall attest thereto and shall, within fifteen days of its adoption, cause this Ordinance, or a summary of this Ordinance, to be published in a newspaper of general circulation in the City of Corona. This Ordinance shall take effect and be in force 30 days after its adoption.

PASSED, APPROVED AND ADOPTED this ___(th) day of _____, _____.

Mayor of the City of Corona, California

ATTEST:

City Clerk of the City of Corona, California

CERTIFICATION

I, Sylvia Edwards, City Clerk of the City of Corona, California, do hereby certify that the foregoing Ordinance was regularly introduced at a regular meeting of the City Council of the City of Corona, California duly held on the ___(th) day of _____, _____ and thereafter at a regular meeting held on the ___(th) day of _____, _____, it was duly passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this ___(th) day of _____, _____.

City Clerk of the City of Corona, California

[SEAL]

EXHIBIT A

AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT
FOR IMPROVEMENT AREA NO. 3 AND IMPROVEMENT AREA NO. 4

[SEE ATTACHED]

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD) OF THE CITY OF CORONA IMPROVEMENT AREA NO. 3

Special Taxes (all capitalized terms are defined in Section A, "Definitions", below) shall be applicable to each Assessor's Parcel of Taxable Property located within the boundaries of Improvement Area No. 3 ("IA No. 3") of Community Facilities District No. 2018-1 (Bedford) of the City of Corona ("CFD No. 2018-1"). The amount of Special Taxes to be levied in each Fiscal Year on an Assessor's Parcel, shall be determined by the City Council of the City of Corona, acting in its capacity as the legislative body of CFD No. 2018-1 by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, and Provisional Undeveloped Property that is not Exempt Property as set forth below. All of the real property, unless exempted by law or by the provisions hereof in Section F, shall be taxed 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 or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"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 formation, and administration of CFD No. 2018-1 including, but not limited to: the costs of computing the Special Taxes and preparing the 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 Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2018-1 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2018-1 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 associated with evaluating the Special Tax effective tax rate prior to the issuance of the first series of Bonds; the costs of the City, CFD No. 2018-1 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.

Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2018-1 for any other administrative purposes of CFD No. 2018-1, including 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 A" means the Special Tax of that name described in Section D below.

"Attached Final Mapped Units" means, for an Assessor's Parcel designated as Attached Residential Property, prior to the issuance of Building Permits for all Residential Units approved to be constructed on such Assessor's Parcel, the number of Residential Units specified in or shown on the Building Permit(s) issued or Final Map.

"Attached Residential Property" means, in any Fiscal Year, all Residential Property for which Building Permits were issued for construction of a residential structure consisting of two or more Residential Units that share common walls, including garage walls. Residential Units to be included in this category shall include, but not be limited to, townhome, condominium, halfplex, duplex and apartment units.

"Backup Special Tax A" means the Special Tax of that name described in Section D below.

"Boundary Map" means a recorded map of CFD No. 2018-1 which indicates the boundaries of the CFD.

"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 A within IA No. 3 has been pledged.

"Building Permit" means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, "Building Permit" may include any subsequent document(s) authorizing new construction on an Assessor's Parcel that are issued or changed by the City after the original issuance of Bonds, as determined by the CFD

Administrator as necessary to fairly allocate Special Tax A to the Assessor's Parcel, provided that following such determination the Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

"Building Square Foot" or "BSF" means one square foot of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Assessor's Parcel.

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

"CFD Administrator" means an official of the City, or designee thereof, responsible for (i) determining the Special Tax A Requirement, (ii) determining the Special Tax B Requirement, (iii) determining the Special Tax C (Contingent) Requirement, and (iv) providing for the levy and collection of the Special Taxes.

"CFD" or "CFD No. 2018-1" means Community Facilities District No. 2018-1 (Bedford) of the City of Corona established by the City under the Act.

"City" means the City of Corona.

"City Council" means the City Council of the City of Corona, acting as the legislative body of Improvement Area No. 3, or its designee.

"Condominium Plan" means a condominium plan as set forth in the California Civil Code, Section 1352.

"County" means the County of Riverside.

"Detached Residential Property" means, in any Fiscal Year, all Residential Property for which a Building Permit has been or may be issued for purposes of constructing a detached Residential Unit on an Assessor's Parcel. Such Residential Unit does not or will not share a common wall with another Residential Unit, as determined by the CFD Administrator.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a Building Permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section F.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a Condominium Plan pursuant to California Civil Code Section

1352 that creates individual lots for which Building Permits may be issued without further subdivision.

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

"Improvement Area No. 3" or "IA No. 3" means Improvement Area No. 3 of CFD No. 2018-1.

"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 Category" means any of the categories listed in Table 1 of Section D Table 2 of Section M and Table 4 of Section S.

"Maximum Special Tax A" means the maximum Special Tax A, determined in accordance with Section D below that can be levied by IA No. 3 in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax B" means the Maximum Special Tax B, as determined in accordance with Section M below that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property within IA No. 3.

"Maximum Special Tax C (Contingent)" means the Maximum Special Tax C (Contingent), as determined in accordance with Section S below that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property within IA No. 3.

"Non-Residential Property" or "NR" means all Assessor's Parcels of Taxable Property for which a Building Permit(s) was issued for a non-residential use. The CFD Administrator shall make the determination if an Assessor's Parcel is Non-Residential Property.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax A obligation for an Assessor's Parcel, as described in Section G.

"Prepayment Amount" means the amount required to prepay the Special Tax A obligation in full for an Assessor's Parcel, as described in Section G.

"Property Owner's Association" or "POA" means a corporation formed by a real estate developer for the purpose of marketing, managing, and selling of homes and lots in a residential subdivision.

"Property Owner's Association Property" means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to a Property Owner Association, including any master or sub-association.

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

For Special Tax B that is (i) Developed Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Developed Property, including Developed Property with Attached Final Mapped Units (ii) Approved Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax B levy per Acre to the Maximum Special Tax B per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

For Special Tax C (Contingent) that is (i) Developed Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Developed Property, including Developed Property with Attached Final Mapped Units (ii) Approved Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax C (Contingent) levy per Acre to the Maximum Special Tax C (Contingent) per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

“Provisional Undeveloped Property” means Public Property or Property Owner Association Property that is not Exempt Property pursuant to Section F.

“Public Property” means all Assessor’s Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, the City, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

"Residential Property" means all Assessor’s Parcels of Developed Property for which a Building Permit has been issued for purposes of constructing one or more Residential Units.

“Residential Unit” or **"RU"** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the CFD Administrator.

"Special Tax(es)" means any of the special taxes authorized to be levied within IA No. 3 pursuant to the Act.

"Special Tax A" means any of the special taxes authorized to be levied within IA No. 3 pursuant to the Act to fund the Special Tax A Requirement.

"Special Tax A Requirement " means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) an allocable share of Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any reasonable anticipated shortfall due to Special Tax A delinquencies (based on prior years' delinquency rates), and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by IA No. 3 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Steps Two and Three of Section E., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

"Special Tax B" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax B Requirement.

Special Tax B Requirement" means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of IA No. 3 in the current Fiscal Year. The costs to be covered shall be the direct costs for maintenance services including but not limited to (i) maintenance and lighting of parks, parkways, streets, roads and open space, (ii) maintenance and operation of water quality improvements, (iii) public street sweeping, (iv) fund an operating reserve for the costs of Special Tax B Services in the amount not to exceed two times the total Maximum Special Tax B for all Taxable Property for that Fiscal Year, as determined by the CFD Administrator, and (v) Administrative Expenses not funded through the Special Tax A Requirement, less (vi) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator. Under no circumstances shall the Special Tax B Requirement include funds for Bonds.

"Special Tax B Services" means the maintenance and operation of the improvements described in Exhibit "C" attached hereto beginning with the date of City acceptance of each improvement for maintenance purposes.

"Special Tax C (Contingent)" means the Special Tax C (Contingent) to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax C (Contingent) Requirement, if required.

"Special Tax C (Contingent) Requirement" means that amount required to be collected in any Fiscal Year to: (i) pay the direct costs of Special Tax C (Contingent) Services anticipated to be incurred or otherwise payable by the City in the Calendar Year commencing in such Fiscal Year; and (ii) Administrative Expenses not funded through the Special Tax A Requirement or the Special Tax B Requirement, less (iii) a credit for funds available to reduce the annual Special Tax C (Contingent) levy, as determined by the CFD Administrator.

"Special Tax C (Contingent) Services" means the City's maintenance and operation of the improvements described in Exhibit "D" attached hereto following the POA's default of its

obligation to maintain such improvements, which default shall be deemed to have occurred in each of the circumstances described in Section Q.

"Taxable Property" means all Assessor's Parcels within IA No. 3, which are not Exempt Property.

"Taxable Unit" means either a Residential Unit, Building Square Foot, or an Acre.

"Tract(s)" means an area of land within a subdivision identified by a particular tract number on a Final Map approved for the subdivision.

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

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property, Public Property or Property Owner's Association Property.

B. SPECIAL TAX A

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property, up to the applicable Maximum Special Tax A to fund the Special Tax A Requirement.

C. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX A

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor's Parcel within IA No. 3 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Public Property and/or Property Owner's Association Property.

Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Each Assessor's Parcel of Residential Property shall further be classified as a Detached Residential Property, or Attached Residential Property. Each Assessor's Parcel of Detached Residential Property or Attached Residential Property shall be further categorized into Land Use Categories based on its Building Square Footage and assigned to its appropriate Assigned Special Tax A rate.

The determination of the Building Square Footage shall be made by reference to the original Building Permit issued for the Residential Unit of an Assessor's Parcel. The Building Permit may include any subsequent document(s) authorizing new construction on an Assessor's Parcel that are issued or changed by the City after the original issuance of Bonds, as determined by the CFD Administrator as necessary to fairly allocate Special Tax A to the Assessor's Parcel, provided that following such determination the Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

D. MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor's Parcel of Detached Residential Property or Attached Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax A or (ii) the Backup Special Tax A.

The Maximum Special Tax A for each Assessor's Parcel of Non-Residential Property shall be the applicable Assigned Special Tax A described in Table 1 of Section D

a. Assigned Special Tax A

Each Fiscal Year, each Assessor's Parcel of Detached Residential Property, Attached Residential Property, or Non-Residential Property shall be subject to an Assigned Special Tax A. The Assigned Special Tax A applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2018-2019 shall be determined pursuant to Table 1 below.

TABLE 1
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax A Per Taxable Unit
1. Detached Residential Property	RU	Less than 1,500	\$2,772
2. Detached Residential Property	RU	1,500 to 1,749	\$2,888
3. Detached Residential Property	RU	1,750 to 1,999	\$3,187
4. Detached Residential Property	RU	2,000 to 2,249	\$3,573
5. Detached Residential Property	RU	2,250 to 2,499	\$3,680
6. Detached Residential Property	RU	2,500 to 2,749	\$4,062
7. Detached Residential Property	RU	2,750 to 2,999	\$4,375
8. Detached Residential Property	RU	3,000 to 3,249	\$4,709
9. Detached Residential Property	RU	3,250 to 3,499	\$5,050
10. Detached Residential Property	RU	3,500 to 3,750	\$5,193
11. Detached Residential Property	RU	Greater than 3,750	\$5,531
12. Attached Residential Property	RU	Less than 800	\$1,664
13. Attached Residential Property	RU	800 to 999	\$1,785
14. Attached Residential Property	RU	1,000 to 1,199	\$2,025
15. Attached Residential Property	RU	1,200 to 1,399	\$2,203
16. Attached Residential Property	RU	1,400 to 1,599	\$2,472
17. Attached Residential Property	RU	1,600 to 1,799	\$2,686
18. Attached Residential Property	RU	1,800 to 1,999	\$2,973
19. Attached Residential Property	RU	2,000 to 2,199	\$2,991
20. Attached Residential Property	RU	2,200 to 2,400	\$3,447
21. Attached Residential Property	RU	Greater than 2,400	\$3,688
22. Non-Residential Property	BSF	N/A	\$1.58

On each July 1, commencing July 1, 2022, the Assigned Special Tax for Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax A levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A for all Land Use Categories located on the Assessor's Parcel. The CFD Administrator's allocation to each Land Use Category shall be final.

c. Backup Special Tax A

The Fiscal Year 2018-2019 Backup Special Tax A for an Assessor's Parcel of Developed Property shall equal \$49,809 per Acre of the Assessor's Parcel. The Backup Special Tax A shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

On each July 1, commencing July 1, 2022, the Backup Special Tax A rate shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Approved Property

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Residential Property shall be the Backup Special Tax A computed pursuant to Section D.1.c above.

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Non-Residential Property shall be \$49,809 per Acre.

On each July 1, commencing July 1, 2022, the Maximum Special Tax A for Approved Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

3. Undeveloped Property and/or Provisional Undeveloped Property

The Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property or Provisional Undeveloped Property shall be equal to the product of \$49,809 multiplied by the Acreage of such Assessor's Parcel.

On each July 1, commencing July 1, 2022, the Maximum Special Tax rate for Undeveloped Property or Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX A

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property in accordance with the following steps:

Step One: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A rates in Table 1 to satisfy the Special Tax A Requirement.

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

the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Backup Special Tax A as needed to satisfy the Special Tax A Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

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

F. EXEMPTIONS

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are Public Property, (ii) 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, (iii) Property Owner's Association Property, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 29.43 Acres.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 29.43 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 29.43 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Tax A pursuant to Step Five in Section E.

G. PREPAYMENT OF SPECIAL TAX A

The following additional definitions apply to this Section G:

“CFD Public Facilities” means \$16,700,000 expressed in 2021 dollars, which shall increase by the Construction Inflation Index on July 1, 2022, and on each July 1 thereafter, or such lower amount (i) authorized by the City Council to provide the public facilities to be funded under IA No. 3, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax A levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture or functionally equivalent account to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under IA No. 3.

“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 City that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs previously funded, or that can be funded from funds in the Construction Fund.

“Outstanding Bonds” means all previously issued Bonds secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax A.

1. Prepayment in Full

The Maximum Special Tax A obligation may be prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved or Undeveloped Property for which a Building Permit has not been issued, and (iv) Assessor’s Parcels of Public Property or Property Owner’s Association Property that are not Exempt Property pursuant to Section F. The Maximum Special Tax A obligation applicable to an Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax A for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax A obligation for such Assessor’s Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the Prepayment Amount (as

defined below) for the Assessor's Parcel. Within 15 days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such Prepayment Amount.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

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

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For an Assessor's Parcel of Developed Property, compute the Maximum Special Tax A for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property Owner's Association Property to be prepaid, compute the Maximum Special Tax A for the Assessor's Parcel.
3. Divide the Maximum Special Tax A derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at the Maximum Special Tax A at build out of all Assessor's Parcels of Taxable Property based on the applicable Maximum Special Tax A for Assessor's Parcels of Developed Property not including any Assessor's Parcels for which the Special Tax A obligation has been previously prepaid.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").

8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from the Prepayment Amount.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2018-1, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax A obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the Prepayment Amount, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the Prepayment Amount from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may not be sufficient to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the appropriate fund established under

the Indenture to be used with the next redemption from other Special Tax A prepayments of Outstanding Bonds or to make debt service payments.

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

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

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

2. Prepayment in Part

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

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

These terms have the following meaning:

PP = Partial Prepayment

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

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax A obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax A obligation, (ii) the percentage of the Maximum Special Tax A obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 days of receipt of such notice, the CFD Administrator shall notify such property owner of the amount of the non-refundable deposit

determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment for the Assessor's Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Assessor's Parcel for which the Maximum Special Tax A obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment Amount as provided in Paragraph 15 of Section G.1, and (ii) indicate in the records of CFD No. 2018-1 that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Special Tax A obligation equal to the remaining percentage (1.00 - F) of Special Tax A obligation will continue on the Assessor's Parcel pursuant to Section E.

H. SPECIAL TAX A REDUCTION

The following definitions apply to this Section H:

"Date of Issuance" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and IA No. 3.

"PACE Charges" means a contractual assessment or special tax as established by a public agency pursuant to AB811 or SB555, respectively, levied on certain parcels to fund eligible improvements to private property and entered into voluntarily by the property owner.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within IA No. 3 as identified in the Price Point Study.

"Price Point" means, with respect to the Residential Units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such Residential Units, estimated by the Price Point Consultant as of such date, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size. The Price Point shall not be less than the current base prices (as modified by the criteria set forth in the immediately preceding sentence) of Residential Units offered for sale to members of the general public.

"Price Point Consultant" means any consultant or firm of such consultants selected by IA No. 3 that (a) has substantial experience in performing price point studies or otherwise estimating or confirming pricing for Residential Units within community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of Residential Units in community facilities districts, (c) is independent and not under the control of CFD No. 2018-1 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) IA No. 3, (ii) the City, (iii) any owner of real property in IA No. 3, or (iv) any real property in IA No. 3, and (e) is not connected with CFD No. 2018-1 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2018-1 or the City.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 3, (c) sets forth the estimated number of constructed and expected Residential Units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section H herein. The Price Point Study will only include the for-sale Residential Property in IA No. 3.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in IA No. 3, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax A, applicable Special Tax B, and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges (excluding PACE Charges levied on individual Assessor's Parcels) and Special Tax C (Contingent) unless otherwise directed by the City levied or imposed on all Residential Units of such Plan Type in IA No. 3 in such Fiscal Year or that would have been levied or imposed on all such Residential Units had such Residential Units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of Residential Units in such Plan Type in IA No. 3. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Building Square Footage, Price Point, and number of constructed and expected Residential Units for such Plan Type in IA No. 3 as identified in the Price Point Study.

1. Prior to the Issuance of the First Building Permit

Prior to the issuance of bonds, upon the written request of the Developer submitted to the City within one hundred fifty (150) calendar days before the projected date of the first Building Permit permitting the construction of a non-model Residential Unit for a Land Use Category within IA No. 3, the following steps shall be taken for each Land Use Category of for-sale Residential Property in IA No. 3 for evaluating Special Tax A:

Step No.:

1. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in IA No. 3.
2. Separately, for each Land Use Category of for-sale Residential Property in IA No. 3, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Category is less than or equal to 1.85%.

- a. If the Total Effective Tax Rate for all Plan Types in a Land Use Category in IA No. 3 is less than or equal to 1.85%, then there shall be no change in Special Tax A for such Land Use Category in IA No. 3.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in IA No. 3 is greater than 1.85%, the CFD Administrator shall calculate a revised Assigned Special Tax A for such Land Use Category in IA No. 3, which revised Assigned Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Category to exceed 1.85%.
3. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax A for all Developed Property within IA No. 3. The revised Backup Special Tax A per Acre shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax A per Acre as set forth in Section D.1.c. above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Tax A for all Land Use Categories of Residential Property resulting from the calculations in steps 2.a. and 2.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Category multiplied by the percentage change in the Assigned Special Tax A (pursuant to step 2.b. above) for each Land Use Category (or 0 for Land Use Categories that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within IA No. 3 and converted to a percentage.
4. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 2.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Tax A substantially in the form of Exhibit "A" hereto and shall deliver such Certificate of Reduction in Special Tax A to IA No. 3. The Certificate of Reduction in Special Tax A shall be completed for all Land Use Categories and shall set forth, as applicable, either (i) the reduced Assigned Special Tax A for a Land Use Category as calculated pursuant to step 2.b., or (ii) the Assigned Special Tax A as identified in Table 1 Section D for a Land Use Category that was not revised as determined pursuant to step 2.a.; as well as either (i) the revised Backup Special Tax A as calculated pursuant to step 3, or (ii) the Backup Special Tax A as identified in Section D.1.c. that was not revised as determined pursuant to step 3.
5. As soon as practicable after the execution by CFD No. 2018-1 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2018-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 3 reflecting the Assigned Special Tax A and the Backup Special Tax A for IA No. 3 set forth in such Certificate of Reduction in Special Tax A.

6. If the Assigned Special Tax A is not required to be changed for any Land Use Category based on the calculations performed under step 2 above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Tax A shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2018-1 a Certificate of No Reduction in Special Tax A substantially in the form of Exhibit "B" hereto that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax A are necessary.

7. CFD No. 2018-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2018-1 on a Certificate of Reduction in Special Tax A pursuant to step 5; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Tax A pursuant to step 6.

2. Prior to the Date of Issuance of the First Series of Bonds

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Category of for-sale Residential Property in IA No. 3 for evaluating Special Tax A:

Step No.:

1. At least 30 days prior to the expected Date of Issuance of the first series of Bonds, but only in the event the Date of Issuance would occur more than one (1) year from the date of the Resolution of Formation establishing IA No. 3 authorizing the issuance of such Bonds, IA No. 3 shall cause a Price Point Study to be delivered to the CFD Administrator. Notwithstanding the above, if a Price Point Study has been prepared within one hundred twenty (120) days prior to the expected Date of Issuance pursuant to Section H.2. of the Rate and Method of Apportionment, then no additional Price Point Study shall be performed and the requirements of Section H.1. of this Rate and Method of Apportionment shall be waived.

2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in IA No. 3.

3. Separately, for each Land Use Category of for-sale Residential Property in IA No. 3, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Category is less than or equal to 1.95%.

a. If the Total Effective Tax Rate for all Plan Types in a Land Use Category in IA No. 3 is less than or equal to 1.95%, then there shall be no change in Special Tax A for such Land Use Category in IA No. 3.

b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in IA No. 3 is greater than 1.95%, the CFD Administrator shall calculate a revised

Assigned Special Tax A for such Land Use Category in IA No. 3, which revised Assigned Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Category to exceed 1.95%.

4. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax A for all Developed Property within IA No. 3. The revised Backup Special Tax A per Acre shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax A per Acre as set forth in Section D.1.c. above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Tax A for all Land Use Categories of Residential Property resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Category multiplied by the percentage change in the Assigned Special Tax A (pursuant to step 3.b. above) for each Land Use Category (or 0 for Land Use Categories that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within IA No. 3 and converted to a percentage.

5. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Tax A substantially in the form of Exhibit "A" hereto and shall deliver such Certificate of Reduction in Special Tax A to IA No. 3. The Certificate of Reduction in Special Tax A shall be completed for all Land Use Categories and shall set forth, as applicable, either (i) the reduced Assigned Special Tax A for a Land Use Category as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax A as identified in Table 1 Section D for a Land Use Category that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax A as calculated pursuant to step 4, or (ii) the Backup Special Tax A as identified in Section D.1.c. that was not revised as determined pursuant to step 4.

6. If the Date of Issuance of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2018-1 shall execute the acknowledgement on such Certificate of Reduction in Special Tax A, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax A for each Land Use Category and the Backup Special Tax A shall be, for all purposes, as set forth in such Certificate of Reduction in Special Tax A. If the Date of Issuance of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Tax A shall not be acknowledged by CFD No. 2018-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Date of Issuance of such first series of Bonds, the CFD Administrator shall cause a new Price Point Study to be delivered to the CFD Administrator and, following such

delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2018-1 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2018-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 3 reflecting the Assigned Special Tax A and the Backup Special Tax A for IA No. 3 set forth in such Certificate of Reduction in Special Tax A.

8. If the Assigned Special Tax A is not required to be changed for any Land Use Category based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Tax A shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2018-1 a Certificate of No Reduction in Special Tax A substantially in the form of Exhibit "B" hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax A are necessary.

9. CFD No. 2018-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2018-1 on a Certificate of Reduction in Special Tax A pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Tax A pursuant to step 8.

I. TERMINATION OF SPECIAL TAX A

For each Fiscal Year that any Bonds are outstanding the Special Tax A shall be levied on all Assessor's Parcels subject to the Special Tax A as necessary to satisfy the Special Tax A Requirement. The Special Tax A shall cease not later than the 2062-2063 Fiscal Year, however, Special Tax A 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 IA No. 3 Bonds have been paid; (ii) all authorized facilities of IA No. 3 have been acquired and all reimbursements have been paid pursuant to the Acquisition Agreement, (iii) no delinquent Special Tax A remain uncollected and (iv) all other obligations of IA No. 3 Special Tax A have been satisfied.

J. MANNER OF COLLECTION

The Special Tax A shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA No. 3 may collect Special Tax A 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.

K. SPECIAL TAX B

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax B on all Taxable Property, up to the applicable Maximum Special Tax B to fund the Special Tax B Requirement.

L. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX B

For each Fiscal Year, all Assessor's Parcels of Taxable Property within IA No. 3 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Tax B as determined pursuant to Sections M and N below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. For Residential Property the number of Residential Units shall be determined by the CFD Administrator.

M. MAXIMUM SPECIAL TAX B

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property which are classified as Residential Property, including all Developed Property with Attached Final Mapped Units, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax B per Residential Unit.

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property and Approved Property which are classified as Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax per Acre.

1. Developed Property

a. Maximum Special Tax B

The Maximum Special Tax B for each Assessor's Parcel of Taxable Property, including all Developed Property with Attached Final Mapped Units, for Fiscal Year 2018-2019 is identified in Table 2 below:

**TABLE 2
MAXIMUM SPECIAL TAX B FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Maximum Special Tax B Per Taxable Unit
1. Residential Property, including Attached Final Mapped Units	RU	\$209
2. Non-Residential Property	Acre	\$2,109

On each July 1, commencing on July 1, 2019 the Maximum Special Tax B for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax B that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved by the City for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property and Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2018-2019 is identified in Table 3 below:

**TABLE 3
MAXIMUM SPECIAL TAX B RATES FOR APPROVED PROPERTY
AND UNDEVELOPED PROPERTY**

Maximum Special Tax B Per Acre
\$2,109

On each July 1, commencing on July 1, 2019 the Maximum Special Tax B for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

N. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX B

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the Council shall determine the Special Tax B Requirement and shall levy the Special Tax B on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax B equals the Special Tax B Requirement. The Special Tax B shall be levied for each Fiscal Year as follows:

- Step One: The Special Tax B shall be levied Proportionately on all Assessor's Parcels of Developed Property, including Developed Property with Attached Final Mapped Units, at up to 100% of the applicable Maximum Special Tax B to satisfy the Special Tax B Requirement;
- Step Two: If additional moneys are needed to satisfy the Special Tax B Requirement after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax B for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax B Requirement after the first two steps has been completed, the Special Tax B shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property at up to 100% of the Maximum Special Tax B for Undeveloped Property.

O. DURATION OF SPECIAL TAX B

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

P. MANNER OF COLLECTION

The Special Tax B shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that IA No. 3 may collect the Special Tax B at a different time or in a different manner if necessary to meet its funding requirements.

Q. SPECIAL TAX C (CONTINGENT)

The City Council shall levy Special Tax C (Contingent) commencing in the first Fiscal Year following the POA's default of its obligation to maintain the improvements described in Exhibit "D" attached hereto, which default shall be deemed to have occurred in each of the following circumstances:

- (i) the POA files for bankruptcy;
- (ii) the POA is dissolved;
- (iii) the POA ceases to levy annual assessments for the maintenance of the improvements described above; or

(iv) the POA fails to maintain such improvements at the same level as the City maintains similar improvements throughout the City and within ninety (90) days after written notice from the City, or such longer period permitted by the City Manager, fails to remedy such maintenance deficiency to the reasonable satisfaction of the City Council.

R. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX C (CONTINGENT)

For each Fiscal Year that Special Tax C (Contingent) is authorized to be levied, all Assessor's Parcels of Taxable Property within IA No. 3 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Taxes as determined pursuant to Sections S and T below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. For Residential Property the number of Residential Units shall be determined by the CFD Administrator.

S. MAXIMUM SPECIAL TAX C (CONTINGENT)

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property which are classified as Residential Property, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax C (Contingent) levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax C (Contingent) per Residential Unit identified for the Assessor's Parcel.

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property and Approved Property which are classified as Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax C (Contingent) levied against an Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax C (Contingent) per Acre.

1. Developed Property

a. Maximum Special Tax C (Contingent)

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Taxable Property for Fiscal Year 2018-2019 is identified in Table 2 below:

**TABLE 4
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Maximum Special Tax C (Contingent) Per Taxable Unit
1. Residential Property, including Attached Final Mapped Units	RU	\$61
2. Non-Residential Property	Acre	\$606

On each July 1, commencing on July 1, 2019 the Maximum Special Tax C (Contingent) for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax C (Contingent) that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax C (Contingent) that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property and Undeveloped Property

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2018-2019 is identified in Table 5 below:

**TABLE 5
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR
APPROVED PROPERTY AND UNDEVELOPED PROPERTY**

Maximum Special Tax C (Contingent) Per Acre
\$606

On each July 1, commencing on July 1, 2019 the Maximum Special Tax C (Contingent) for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

T. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX

Commencing with the first Fiscal Year in which Special Tax C (Contingent) is authorized to be levied and for each following Fiscal Year, the Council shall determine the Special Tax C (Contingent) Requirement and shall levy the Special Tax C (Contingent) on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax C (Contingent) equals the Special Tax C (Contingent) Requirement. The Special Tax C (Contingent) shall be levied for each Fiscal Year as follows:

- Step One: The Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Developed Property, including all Developed Property with Attached Final Mapped Units, at up to 100% of the applicable Maximum Special Tax C (Contingent) to satisfy the Special Tax C (Contingent) Requirement;
- Step Two: If additional moneys are needed to satisfy the Special Tax C (Contingent) Requirement after the first step has been completed, the Special Tax C (Contingent) shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax C (Contingent) for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax C (Contingent) Requirement after the first two steps has been completed, the Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax C (Contingent) for Undeveloped Property.

U. DURATION OF SPECIAL TAX C (CONTINGENT)

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

V. MANNER OF COLLECTION OF SPECIAL TAX C (CONTINGENT)

The Special Tax C (Contingent) shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that IA No. 3 may collect the Special Tax C (Contingent) at a different time or in a different manner if necessary to meet its funding requirements.

W. APPEALS OF SPECIAL TAXES

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall

review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) amend the Special Tax levy for the current Fiscal Year prior to the payment date;
- (ii) require the CFD to reimburse the taxpayer the amount of the overpayment to the extent of the available funds of IA No. 3; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within IA No. 3 in the amount of the overpayment.

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

EXHIBIT "A"

CERTIFICATE OF REDUCTION OF SPECIAL TAX A

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 3**

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax A for Developed Property for [certain or all] Land Use Categories within IA No. 3 has been reduced.
2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A below show the Assigned Special Tax A for each Land Use Category in IA No. 3 after such reduction.

**TABLE 1A
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax A Per Taxable Unit
1. Detached Residential Property	RU	Less than 1,500	\$
2. Detached Residential Property	RU	1,500 to 1,749	\$
3. Detached Residential Property	RU	1,750 to 1,999	\$
4. Detached Residential Property	RU	2,000 to 2,249	\$
5. Detached Residential Property	RU	2,250 to 2,499	\$
6. Detached Residential Property	RU	2,500 to 2,749	\$
7. Detached Residential Property	RU	2,750 to 2,999	\$
8. Detached Residential Property	RU	3,000 to 3,249	\$
9. Detached Residential Property	RU	3,250 to 3,499	\$
10. Detached Residential Property	RU	3,500 to 3,750	\$
11. Detached Residential Property	RU	Greater than 3,750	\$
12. Attached Residential Property	RU	Less than 800	\$
13. Attached Residential Property	RU	800 to 999	\$
14. Attached Residential Property	RU	1,000 to 1,199	\$
15. Attached Residential Property	RU	1,200 to 1,399	\$
16. Attached Residential Property	RU	1,400 to 1,599	\$
17. Attached Residential Property	RU	1,600 to 1,799	\$
18. Attached Residential Property	RU	1,800 to 1,999	\$
19. Attached Residential Property	RU	2,000 to 2,199	\$
20. Attached Residential Property	RU	2,200 to 2,400	\$
21. Attached Residential Property	RU	Greater than 2,400	\$

4. The Backup Special Tax A for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown below.

The Backup Special Tax for an Assessor's Parcel of Developed Property shall equal \$ _____ per Acre of the Assessor's Parcel. The Backup Special Tax shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

5. Upon execution of the Certificate of Reduction of Special Tax A by the City and CFD No. 2018-1 the City shall cause an amended Notice of Special Tax Lien for IA No. 3 to be recorded reflecting the modifications set forth herein.

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2018-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Improvement Area No. 3 of Community Facilities District No. 2018-1 (Bedford) of the City of Corona

By: _____
Date as of: _____

EXHIBIT "B"

CERTIFICATE OF NO REDUCTION OF SPECIAL TAX A

**IMPROVEMENT AREA NO. 3 OF COMMUNITY FACILITIES DISTRICT NO. 2018-1
(BEDFORD)
OF THE CITY OF CORONA**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Categories is less than or equal to 1.95%
3. The Maximum Special Tax A for Developed Property within IA No. 3, including the Assigned Special Tax A set forth in Sections D.1.a. and the Backup Special Tax A set forth in Section D.1.c. of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____

Date as of: [closing date of Bonds]

EXHIBIT "C"

DESCRIPTION OF AUTHORIZED SPECIAL TAX B SERVICES

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 3**

The services which may be funded with proceeds of Special Tax B of IA No. 3, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing landscaped areas (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use. These services including the following:

(a) maintenance and lighting of perimeter parks, parkways, streets, roads and open space, which maintenance and lighting services may include, without limitation, furnishing of electrical power to street lights and traffic signals; repair and replacement of damaged or inoperative light bulbs, fixtures and standards; maintenance (including irrigation and replacement) of landscaping vegetation situated on or adjacent to parks, parkways, streets, roads and open space; maintenance and repair of irrigation facilities; maintenance of public signage; graffiti removal from and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space; maintenance and repair of playground or recreation program equipment or facilities situated on any park; and

(b) maintenance and operation of water quality improvements which include storm drainage and flood protection facilities, including, without limitation, drainage inlets, catch basin inserts, infiltration basins, flood control channels, fossil fuel filters, and similar facilities. Maintenance services may include but is not limited to the repair, removal or replacement of all or part of any of the water quality improvements, fossil fuel filters within the public right-of-way including the removal of petroleum hydrocarbons and other pollutants from water runoff, or appurtenant facilities, clearing of inlets and outlets; erosion repairs; and cleanup to improvements, and other items necessary for the maintenance, servicing; or both of the water quality basin improvements within flood control channel improvements; and

(c) public street sweeping, on the segments of the arterials within the boundaries of IA No. 3; as well as local roads within residential subdivisions located within IA No. 3; and any portions adjacent to the properties within IA No. 3; and

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

EXHIBIT "D"

DESCRIPTION OF AUTHORIZED SPECIAL TAX C (CONTINGENT) SERVICES

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 3**

The services which may be funded with proceeds of Special Tax C (Contingent) of IA No. 3, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing landscaped areas (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use. The authorized Special Tax C Services include the following:

(a) maintenance and operation of water quality improvements, which include the bio-retention facility and appurtenances as shown on the Final WQMP Site Plan and as an Exhibit in the Report of Responsible Officer, which shall be maintained as described in the Storm Water Management Plan on file with the City of Corona. Maintenance services may include, but are not limited to the repair, removal or replacement of all or part of any of the water quality improvements; and

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

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD) OF THE CITY OF CORONA IMPROVEMENT AREA NO. 4

Special Taxes (all capitalized terms are defined in Section A, "Definitions", below) shall be applicable to each Assessor's Parcel of Taxable Property located within the boundaries of Improvement Area No. 4 ("IA No. 4") of Community Facilities District No. 2018-1 (Bedford) of the City of Corona ("CFD No. 2018-1"). The amount of Special Taxes to be levied in each Fiscal Year on an Assessor's Parcel, shall be determined by the City Council of the City of Corona, acting in its capacity as the legislative body of CFD No. 2018-1 by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, and Provisional Undeveloped Property that is not Exempt Property as set forth below. All of the real property, unless exempted by law or by the provisions hereof in Section F, shall be taxed 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 or instrument. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"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 formation, and administration of CFD No. 2018-1 including, but not limited to: the costs of computing the Special Taxes and preparing the 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 Special Taxes to the Trustee; the costs of the Trustee (including legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 2018-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2018-1 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2018-1 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 associated with evaluating the Special Tax effective tax rate prior to the issuance of the first series of Bonds; the costs of the City, CFD No. 2018-1 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.

Administration Expenses shall also include amounts estimated by the CFD Administrator or advanced by the City or CFD No. 2018-1 for any other administrative purposes of CFD No. 2018-1, including 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 A" means the Special Tax of that name described in Section D below.

"Attached Final Mapped Units" means, for an Assessor's Parcel designated as Attached Residential Property, prior to the issuance of Building Permits for all Residential Units approved to be constructed on such Assessor's Parcel, the number of Residential Units specified in or shown on the Building Permit(s) issued or Final Map.

"Attached Residential Property" means, in any Fiscal Year, all Residential Property for which Building Permits were issued for construction of a residential structure consisting of two or more Residential Units that share common walls, including garage walls. Residential Units to be included in this category shall include, but not be limited to, townhome, condominium, halfplex, duplex and apartment units.

"Backup Special Tax A" means the Special Tax of that name described in Section D below.

"Boundary Map" means a recorded map of CFD No. 2018-1 which indicates the boundaries of the CFD.

"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 A within IA No. 4 has been pledged.

"Building Permit" means the first legal document issued by a local agency giving official permission for new construction. For purposes of this definition, "Building Permit" may include any subsequent document(s) authorizing new construction on an Assessor's Parcel that are issued or changed by the City after the original issuance of Bonds, as determined by the CFD

Administrator as necessary to fairly allocate Special Tax A to the Assessor's Parcel, provided that following such determination the Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

"Building Square Foot" or "BSF" means one square foot of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Assessor's Parcel.

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

"CFD Administrator" means an official of the City, or designee thereof, responsible for (i) determining the Special Tax A Requirement, (ii) determining the Special Tax B Requirement, (iii) determining the Special Tax C (Contingent) Requirement, and (iv) providing for the levy and collection of the Special Taxes.

"CFD" or "CFD No. 2018-1" means Community Facilities District No. 2018-1 (Bedford) of the City of Corona established by the City under the Act.

"City" means the City of Corona.

"City Council" means the City Council of the City of Corona, acting as the legislative body of Improvement Area No. 4, or its designee.

"Condominium Plan" means a condominium plan as set forth in the California Civil Code, Section 1352.

"County" means the County of Riverside.

"Detached Residential Property" means, in any Fiscal Year, all Residential Property for which a Building Permit has been or may be issued for purposes of constructing a detached Residential Unit on an Assessor's Parcel. Such Residential Unit does not or will not share a common wall with another Residential Unit, as determined by the CFD Administrator.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a Building Permit for new construction was issued on or before May 1st preceding the Fiscal Year in which the Special Tax is being levied.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes as provided for in Section F.

"Final Map" means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a Condominium Plan pursuant to California Civil Code Section

1352 that creates individual lots for which Building Permits may be issued without further subdivision.

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

"Improvement Area No. 4" or "IA No. 4" means Improvement Area No. 4 of CFD No. 2018-1.

"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 Category" means any of the categories listed in Table 1 of Section D Table 2 of Section M and Table 4 of Section S.

"Maximum Special Tax A" means the maximum Special Tax A, determined in accordance with Section D below that can be levied by IA No. 4 in any Fiscal Year on any Assessor's Parcel.

"Maximum Special Tax B" means the Maximum Special Tax B, as determined in accordance with Section M below that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property within IA No. 4.

"Maximum Special Tax C (Contingent)" means the Maximum Special Tax C (Contingent), as determined in accordance with Section S below that can be levied in any Fiscal Year on any Assessor's Parcel of Taxable Property within IA No. 4.

"Non-Residential Property" or "NR" means all Assessor's Parcels of Taxable Property for which a Building Permit(s) was issued for a non-residential use. The CFD Administrator shall make the determination if an Assessor's Parcel is Non-Residential Property.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Special Tax A obligation for an Assessor's Parcel, as described in Section G.

"Prepayment Amount" means the amount required to prepay the Special Tax A obligation in full for an Assessor's Parcel, as described in Section G.

"Property Owner's Association" or "POA" means a corporation formed by a real estate developer for the purpose of marketing, managing, and selling of homes and lots in a residential subdivision.

"Property Owner's Association Property" means all Assessor's Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, have been conveyed, dedicated to, or irrevocably offered for dedication to a Property Owner Association, including any master or sub-association.

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

For Special Tax B that is (i) Developed Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Developed Property, including Developed Property with Attached Final Mapped Units (ii) Approved Property, that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax B levy per Acre to the Maximum Special Tax B per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

For Special Tax C (Contingent) that is (i) Developed Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Developed Property, including Developed Property with Attached Final Mapped Units (ii) Approved Property, that the ratio of the actual Special Tax C (Contingent) levy to the Maximum Special Tax C (Contingent) is the same for all Assessor’s Parcels of Approved Property, and (iii) Undeveloped Property that the ratio of the actual Special Tax C (Contingent) levy per Acre to the Maximum Special Tax C (Contingent) per Acre is the same for all Assessor’s Parcels of Undeveloped Property.

“Provisional Undeveloped Property” means Public Property or Property Owner Association Property that is not Exempt Property pursuant to Section F.

“Public Property” means all Assessor’s Parcels which, as of July 1st of the Fiscal Year in which the Special Tax is being levied, are used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County, the City, or any other local jurisdiction, provided, however, that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

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

“Residential Unit” or **“RU”** means a residential unit that is used or intended to be used as a domicile by one or more persons, as determined by the CFD Administrator.

“Special Tax(es)” means any of the special taxes authorized to be levied within IA No. 4 pursuant to the Act.

“Special Tax A” means any of the special taxes authorized to be levied within IA No. 4 pursuant to the Act to fund the Special Tax A Requirement.

"Special Tax A Requirement " means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) an allocable share of Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) an amount equal to any reasonable anticipated shortfall due to Special Tax A delinquencies (based on prior years' delinquency rates), and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by IA No. 4 provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Steps Two and Three of Section E., less (vii) any amounts available to pay debt service or other periodic costs on the Bonds pursuant to the Indenture.

"Special Tax B" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax B Requirement.

"Special Tax B Requirement" means that amount to be collected in any Fiscal Year to pay for certain costs as required to meet the needs of IA No. 4 in the current Fiscal Year. The costs to be covered shall be the direct costs for maintenance services including but not limited to (i) maintenance and lighting of parks, parkways, streets, roads and open space, (ii) maintenance and operation of water quality improvements, (iii) public street sweeping, (iv) fund an operating reserve for the costs of Special Tax B Services in the amount not to exceed two times the total Maximum Special Tax B for all Taxable Property for that Fiscal Year, as determined by the CFD Administrator, and (v) Administrative Expenses not funded through the Special Tax A Requirement, less (vi) a credit for funds available to reduce the annual Special Tax B levy, as determined by the CFD Administrator. Under no circumstances shall the Special Tax B Requirement include funds for Bonds.

"Special Tax B Services" means the maintenance and operation of the improvements described in Exhibit "C" attached hereto beginning with the date of City acceptance of each improvement for maintenance purposes.

"Special Tax C (Contingent)" means the Special Tax C (Contingent) to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax C (Contingent) Requirement, if required.

"Special Tax C (Contingent) Requirement" means that amount required to be collected in any Fiscal Year to: (i) pay the direct costs of Special Tax C (Contingent) Services anticipated to be incurred or otherwise payable by the City in the Calendar Year commencing in such Fiscal Year; and (ii) Administrative Expenses not funded through the Special Tax A Requirement or the Special Tax B Requirement, less (iii) a credit for funds available to reduce the annual Special Tax C (Contingent) levy, as determined by the CFD Administrator.

"Special Tax C (Contingent) Services" means the City's maintenance and operation of the improvements described in Exhibit "D" attached hereto following the POA's default of its

obligation to maintain such improvements, which default shall be deemed to have occurred in each of the circumstances described in Section Q.

"Taxable Property" means all Assessor's Parcels within IA No. 4, which are not Exempt Property.

"Taxable Unit" means either a Residential Unit, Building Square Foot, or an Acre.

"Tract(s)" means an area of land within a subdivision identified by a particular tract number on a Final Map approved for the subdivision.

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

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not Developed Property, Approved Property, Public Property or Property Owner's Association Property.

B. SPECIAL TAX A

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property, up to the applicable Maximum Special Tax A to fund the Special Tax A Requirement.

C. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX A

Each Fiscal Year, beginning with Fiscal Year 2018-2019, each Assessor's Parcel within IA No. 4 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor's Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property or Public Property and/or Property Owner's Association Property.

Assessor's Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. Each Assessor's Parcel of Residential Property shall further be classified as a Detached Residential Property, or Attached Residential Property. Each Assessor's Parcel of Detached Residential Property or Attached Residential Property shall be further categorized into Land Use Categories based on its Building Square Footage and assigned to its appropriate Assigned Special Tax A rate.

The determination of the Building Square Footage shall be made by reference to the original Building Permit issued for the Residential Unit of an Assessor's Parcel. The Building Permit may include any subsequent document(s) authorizing new construction on an Assessor's Parcel that are issued or changed by the City after the original issuance of Bonds, as determined by the CFD Administrator as necessary to fairly allocate Special Tax A to the Assessor's Parcel, provided that following such determination the Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property will be at least 1.1 times maximum annual debt service on all outstanding Bonds plus the estimated annual Administrative Expenses.

D. MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor's Parcel of Detached Residential Property or Attached Residential Property in any Fiscal Year shall be the greater of (i) the Assigned Special Tax A or (ii) the Backup Special Tax A.

The Maximum Special Tax A for each Assessor's Parcel of Non-Residential Property shall be the applicable Assigned Special Tax A described in Table 1 of Section D

a. Assigned Special Tax A

Each Fiscal Year, each Assessor's Parcel of Detached Residential Property, Attached Residential Property, or Non-Residential Property shall be subject to an Assigned Special Tax A. The Assigned Special Tax A applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2018-2019 shall be determined pursuant to Table 1 below.

**TABLE 1
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax A Per Taxable Unit
1. Detached Residential Property	RU	Less than 1,500	\$2,935
2. Detached Residential Property	RU	1,500 to 1,749	\$3,059
3. Detached Residential Property	RU	1,750 to 1,999	\$3,373
4. Detached Residential Property	RU	2,000 to 2,249	\$3,779
5. Detached Residential Property	RU	2,250 to 2,499	\$3,892
6. Detached Residential Property	RU	2,500 to 2,749	\$4,295
7. Detached Residential Property	RU	2,750 to 2,999	\$4,623
8. Detached Residential Property	RU	3,000 to 3,249	\$4,976
9. Detached Residential Property	RU	3,250 to 3,499	\$5,335
10. Detached Residential Property	RU	3,500 to 3,750	\$5,400
11. Detached Residential Property	RU	Greater than 3,750	\$5,841
12. Attached Residential Property	RU	Less than 800	\$1,769
13. Attached Residential Property	RU	800 to 999	\$1,896
14. Attached Residential Property	RU	1,000 to 1,199	\$2,150
15. Attached Residential Property	RU	1,200 to 1,399	\$2,336
16. Attached Residential Property	RU	1,400 to 1,599	\$2,440
17. Attached Residential Property	RU	1,600 to 1,799	\$2,846
18. Attached Residential Property	RU	1,800 to 1,999	\$3,148
19. Attached Residential Property	RU	2,000 to 2,199	\$3,166
20. Attached Residential Property	RU	2,200 to 2,400	\$3,647
21. Attached Residential Property	RU	Greater than 2,400	\$3,900
22. Non-Residential Property	BSF	N/A	\$2.17

On each July 1, commencing July 1, 2023, the Assigned Special Tax for Developed Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax A levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A for all Land Use Categories located on the Assessor's Parcel. The CFD Administrator's allocation to each Land Use Category shall be final.

c. Backup Special Tax A

The Fiscal Year 2018-2019 Backup Special Tax A for an Assessor's Parcel of Developed Property shall equal \$68,284 per Acre of the Assessor's Parcel. The Backup Special Tax A shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

On each July 1, commencing July 1, 2023, the Backup Special Tax A rate shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

2. Approved Property

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Residential Property shall be the Backup Special Tax A computed pursuant to Section D.1.c above.

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Non-Residential Property shall be \$68,284 per Acre.

On each July 1, commencing July 1, 2023, the Maximum Special Tax A for Approved Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

3. Undeveloped Property and/or Provisional Undeveloped Property

The Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property or Provisional Undeveloped Property shall be equal to the product of \$68,284 multiplied by the Acreage of such Assessor's Parcel.

On each July 1, commencing July 1, 2023, the Maximum Special Tax rate for Undeveloped Property or Provisional Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX A

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax A on all Taxable Property in accordance with the following steps:

Step One: Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Special Tax A rates in Table 1 to satisfy the Special Tax A Requirement.

Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, then the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Backup Special Tax A as needed to satisfy the Special Tax A Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property up to 100% of the Maximum Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

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

F. EXEMPTIONS

The City shall classify as Exempt Property, in order of priority, (i) Assessor's Parcels which are Public Property, (ii) 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, (iii) Property Owner's Association Property, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) Assessor's Parcels restricted to other types of public uses determined by the City Council, provided that no such classification would reduce the sum of all Taxable Property to less than 9.10 Acres.

Notwithstanding the above, the City Council shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than 9.10 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 9.10 Acres will be classified as Provisional Undeveloped Property, and will be subject to Special Tax A pursuant to Step Five in Section E.

G. PREPAYMENT OF SPECIAL TAX A

The following additional definitions apply to this Section G:

“CFD Public Facilities” means \$6,680,000 expressed in 2022 dollars, which shall increase by the Construction Inflation Index on July 1, 2023, and on each July 1 thereafter, or such lower amount (i) authorized by the City Council to provide the public facilities to be funded under IA No. 4, or (ii) determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax A levied under this Rate and Method of Apportionment.

“Construction Fund” means an account specifically identified in the Indenture or functionally equivalent account to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under IA No. 4.

“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 City that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities minus public facility costs previously funded, or that can be funded from funds in the Construction Fund.

“Outstanding Bonds” means all previously issued Bonds secured by the levy of Special Tax A which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax A.

1. Prepayment in Full

The Maximum Special Tax A obligation may be prepaid and permanently satisfied for (i) Assessor’s Parcels of Developed Property, (ii) Assessor’s Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved or Undeveloped Property for which a Building Permit has not been issued, and (iv) Assessor’s Parcels of Public Property or Property Owner’s Association Property that are not Exempt Property pursuant to Section F. The Maximum Special Tax A obligation applicable to an Assessor’s Parcel may be fully prepaid and the obligation to pay the Special Tax A for such Assessor’s Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Maximum Special Tax A obligation for such Assessor’s Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the Prepayment Amount (as

defined below) for the Assessor's Parcel. Within 15 days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Bonds to be redeemed with the proceeds of such Prepayment Amount.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

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

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For an Assessor's Parcel of Developed Property, compute the Maximum Special Tax A for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For an Assessor's Parcel of Approved Property or Undeveloped Property for which a Building Permit has not been issued, Public Property or Property Owner's Association Property to be prepaid, compute the Maximum Special Tax A for the Assessor's Parcel.
3. Divide the Maximum Special Tax A derived pursuant to paragraph 2 by the total amount of Special Taxes that could be levied at the Maximum Special Tax A at build out of all Assessor's Parcels of Taxable Property based on the applicable Maximum Special Tax A for Assessor's Parcels of Developed Property not including any Assessor's Parcels for which the Special Tax A obligation has been previously prepaid.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.

7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").
8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from the Prepayment Amount.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2018-1, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax A obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the Prepayment Amount, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the Prepayment Amount from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Construction Fund. The Administrative Fees and Expenses shall be retained by the CFD.

The Prepayment Amount may not be sufficient to redeem an aggregate principal amount of Outstanding Bonds which is equally divisible by \$5,000. In such event, the increment above

\$5,000 or an integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Special Tax A prepayments of Outstanding Bonds or to make debt service payments.

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

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

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

2. Prepayment in Part

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

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

These terms have the following meaning:

PP = Partial Prepayment

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

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax A obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax A obligation, (ii) the percentage of the Maximum Special Tax A obligation such owner wishes to prepay, and (iii) the company or agency that will be acting as the escrow agent, if any. Within 5 days of receipt of such notice, the CFD

Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2018-1 in calculating the amount of a partial prepayment. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment for the Assessor's Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for the Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Assessor's Parcel for which the Maximum Special Tax A obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment Amount as provided in Paragraph 15 of Section G.1, and (ii) indicate in the records of CFD No. 2018-1 that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Special Tax A obligation equal to the remaining percentage (1.00 - F) of Special Tax A obligation will continue on the Assessor's Parcel pursuant to Section E.

H. SPECIAL TAX A REDUCTION

The following definitions apply to this Section H:

"Date of Issuance" means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and IA No. 4.

"PACE Charges" means a contractual assessment or special tax as established by a public agency pursuant to AB811 or SB555, respectively, levied on certain parcels to fund eligible improvements to private property and entered into voluntarily by the property owner.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within IA No. 4 as identified in the Price Point Study.

"Price Point" means, with respect to the Residential Units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such Residential Units, estimated by the Price Point Consultant as of such date, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size. The Price Point shall not be less than the current base prices (as modified by the criteria set forth in the immediately preceding sentence) of Residential Units offered for sale to members of the general public.

"Price Point Consultant" means any consultant or firm of such consultants selected by IA No. 4 that (a) has substantial experience in performing price point studies or otherwise estimating or confirming pricing for Residential Units within community facilities districts, (b) is well versed in analyzing economic and real estate data that relates to the pricing of Residential Units in community facilities districts, (c) is independent and not under the control of CFD No. 2018-1 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) IA No. 4, (ii) the City, (iii) any owner of real property in IA No. 4, or (iv) any real property in IA No. 4, and

(e) is not connected with CFD No. 2018-1 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2018-1 or the City.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 4, (c) sets forth the estimated number of constructed and expected Residential Units for each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section H herein. The Price Point Study will only include the for-sale Residential Property in IA No. 4.

"Total Effective Tax Rate" means, for a Plan Type, the quotient of (a) the Total Tax and Assessment Obligation for such Plan Type divided by (b) the Price Point for such Plan Type, converted to a percentage.

"Total Tax and Assessment Obligation" means, with respect to a Plan Type in IA No. 4, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax A, applicable Special Tax B, and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges (excluding PACE Charges levied on individual Assessor's Parcels) and Special Tax C (Contingent) unless otherwise directed by the City levied or imposed on all Residential Units of such Plan Type in IA No. 4 in such Fiscal Year or that would have been levied or imposed on all such Residential Units had such Residential Units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of Residential Units in such Plan Type in IA No. 4. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Building Square Footage, Price Point, and number of constructed and expected Residential Units for such Plan Type in IA No. 4 as identified in the Price Point Study.

1. Prior to the Issuance of the First Building Permit

Prior to the issuance of bonds, upon the written request of the Developer submitted to the City within one hundred fifty (150) calendar days before the projected date of the first Building Permit permitting the construction of a non-model Residential Unit for a Land Use Category within IA No. 4, the following steps shall be taken for each Land Use Category of for-sale Residential Property in IA No. 4 for evaluating Special Tax A:

Step No.:

1. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in IA No. 4.
2. Separately, for each Land Use Category of for-sale Residential Property in IA No. 4, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Category is less than or equal to 1.85%.

- a. If the Total Effective Tax Rate for all Plan Types in a Land Use Category in IA No. 4 is less than or equal to 1.85%, then there shall be no change in Special Tax A for such Land Use Category in IA No. 4.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in IA No. 4 is greater than 1.85%, the CFD Administrator shall calculate a revised Assigned Special Tax A for such Land Use Category in IA No. 4, which revised Assigned Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Category to exceed 1.85%.
3. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax A for all Developed Property within IA No. 4. The revised Backup Special Tax A per Acre shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax A per Acre as set forth in Section D.1.c. above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Tax A for all Land Use Categories of Residential Property resulting from the calculations in steps 2.a. and 2.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Category multiplied by the percentage change in the Assigned Special Tax A (pursuant to step 2.b. above) for each Land Use Category (or 0 for Land Use Categories that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within IA No. 4 and converted to a percentage.
4. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 2.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Tax A substantially in the form of Exhibit "A" hereto and shall deliver such Certificate of Reduction in Special Tax A to IA No. 4. The Certificate of Reduction in Special Tax A shall be completed for all Land Use Categories and shall set forth, as applicable, either (i) the reduced Assigned Special Tax A for a Land Use Category as calculated pursuant to step 2.b., or (ii) the Assigned Special Tax A as identified in Table 1 Section D for a Land Use Category that was not revised as determined pursuant to step 2.a.; as well as either (i) the revised Backup Special Tax A as calculated pursuant to step 3, or (ii) the Backup Special Tax A as identified in Section D.1.c. that was not revised as determined pursuant to step 3.
5. As soon as practicable after the execution by CFD No. 2018-1 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2018-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 4 reflecting the Assigned Special Tax A and the Backup Special Tax A for IA No. 4 set forth in such Certificate of Reduction in Special Tax A.

6. If the Assigned Special Tax A is not required to be changed for any Land Use Category based on the calculations performed under step 2 above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Tax A shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2018-1 a Certificate of No Reduction in Special Tax A substantially in the form of Exhibit "B" hereto that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax A are necessary.

7. CFD No. 2018-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2018-1 on a Certificate of Reduction in Special Tax A pursuant to step 5; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Tax A pursuant to step 6.

2. Prior to the Date of Issuance of the First Series of Bonds

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Category of for-sale Residential Property in IA No. 4 for evaluating Special Tax A:

Step No.:

1. At least 30 days prior to the expected Date of Issuance of the first series of Bonds, but only in the event the Date of Issuance would occur more than one (1) year from the date of the Resolution of Formation establishing IA No. 4 authorizing the issuance of such Bonds, IA No. 4 shall cause a Price Point Study to be delivered to the CFD Administrator. Notwithstanding the above, if a Price Point Study has been prepared within one hundred twenty (120) days prior to the expected Date of Issuance pursuant to Section H.2. of the Rate and Method of Apportionment, then no additional Price Point Study shall be performed and the requirements of Section H.1. of this Rate and Method of Apportionment shall be waived.

2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in IA No. 4.

3. Separately, for each Land Use Category of for-sale Residential Property in IA No. 4, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Category is less than or equal to 1.95%.

a. If the Total Effective Tax Rate for all Plan Types in a Land Use Category in IA No. 4 is less than or equal to 1.95%, then there shall be no change in Special Tax A for such Land Use Category in IA No. 4.

b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in IA No. 4 is greater than 1.95%, the CFD Administrator shall

calculate a revised Assigned Special Tax A for such Land Use Category in IA No. 4, which revised Assigned Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Effective Tax Rate for any Plan Type in such Land Use Category to exceed 1.95%.

4. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall calculate a revised Backup Special Tax A for all Developed Property within IA No. 4. The revised Backup Special Tax A per Acre shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax A per Acre as set forth in Section D.1.c. above, reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Tax A for all Land Use Categories of Residential Property resulting from the calculations in steps 3.a. and 3.b. above. The weighted average percentage will be calculated by taking the sum of the products of the number of units constructed or expected to be constructed in each Land Use Category multiplied by the percentage change in the Assigned Special Tax A (pursuant to step 3.b. above) for each Land Use Category (or 0 for Land Use Categories that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within IA No. 4 and converted to a percentage.

5. If the Assigned Special Tax A for any Land Use Category is revised pursuant to step 3.b. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Tax A substantially in the form of Exhibit "A" hereto and shall deliver such Certificate of Reduction in Special Tax A to IA No. 4. The Certificate of Reduction in Special Tax A shall be completed for all Land Use Categories and shall set forth, as applicable, either (i) the reduced Assigned Special Tax A for a Land Use Category as calculated pursuant to step 3.b., or (ii) the Assigned Special Tax A as identified in Table 1 Section D for a Land Use Category that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax A as calculated pursuant to step 4, or (ii) the Backup Special Tax A as identified in Section D.1.c. that was not revised as determined pursuant to step 4.

6. If the Date of Issuance of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2018-1 shall execute the acknowledgement on such Certificate of Reduction in Special Tax A, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax A for each Land Use Category and the Backup Special Tax A shall be, for all purposes, as set forth in such Certificate of Reduction in Special Tax A. If the Date of Issuance of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Tax A shall not be acknowledged by CFD No. 2018-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently a first series of Bonds is expected to be issued, at least 30 days prior to the expected Date of Issuance of such first series of Bonds, the CFD Administrator shall cause a new

Price Point Study to be delivered to the CFD Administrator and, following such delivery, steps 2 through 5 of this section shall be performed based on such new Price Point Study.

7. As soon as practicable after the execution by CFD No. 2018-1 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2018-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 4 reflecting the Assigned Special Tax A and the Backup Special Tax A for IA No. 4 set forth in such Certificate of Reduction in Special Tax A.

8. If the Assigned Special Tax A is not required to be changed for any Land Use Category based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Tax A shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2018-1 a Certificate of No Reduction in Special Tax A substantially in the form of Exhibit "B" hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax A are necessary.

9. CFD No. 2018-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2018-1 on a Certificate of Reduction in Special Tax A pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Tax A pursuant to step 8.

I. TERMINATION OF SPECIAL TAX A

For each Fiscal Year that any Bonds are outstanding the Special Tax A shall be levied on all Assessor's Parcels subject to the Special Tax A as necessary to satisfy the Special Tax A Requirement. The Special Tax A shall cease not later than the 2063-2064 Fiscal Year, however, Special Tax A 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 IA No. 4 Bonds have been paid; (ii) all authorized facilities of IA No. 4 have been acquired and all reimbursements have been paid pursuant to the Acquisition Agreement, (iii) no delinquent Special Tax A remain uncollected and (iv) all other obligations of IA No. 4 Special Tax A have been satisfied.

J. MANNER OF COLLECTION

The Special Tax A shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA No. 4 may collect Special Tax A 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.

K. SPECIAL TAX B

Commencing Fiscal Year 2018-2019 and for each subsequent Fiscal Year, the City Council shall levy Special Tax B on all Taxable Property, up to the applicable Maximum Special Tax B to fund the Special Tax B Requirement.

L. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX B

For each Fiscal Year, all Assessor's Parcels of Taxable Property within IA No. 4 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Tax B as determined pursuant to Sections M and N below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. For Residential Property the number of Residential Units shall be determined by the CFD Administrator.

M. MAXIMUM SPECIAL TAX B

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property which are classified as Residential Property, including all Developed Property with Attached Final Mapped Units, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax B per Residential Unit.

For purposes of determining the applicable Maximum Special Tax B for Assessor's Parcels of Developed Property and Approved Property which are classified as Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax B levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax per Acre.

1. Developed Property

a. Maximum Special Tax B

The Maximum Special Tax B for each Assessor's Parcel of Taxable Property, including all Developed Property with Attached Final Mapped Units, for Fiscal Year 2018-2019 is identified in Table 2 below:

**TABLE 2
MAXIMUM SPECIAL TAX B FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Maximum Special Tax B Per Taxable Unit
1. Residential Property, including Attached Final Mapped Units	RU	\$209
2. Non-Residential Property	Acre	\$2,109

On each July 1, commencing on July 1, 2019 the Maximum Special Tax B for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax B that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved by the City for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property and Undeveloped Property

The Maximum Special Tax B for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2018-2019 is identified in Table 3 below:

**TABLE 3
MAXIMUM SPECIAL TAX B RATES FOR APPROVED PROPERTY
AND UNDEVELOPED PROPERTY**

Maximum Special Tax B Per Acre
\$2,109

On each July 1, commencing on July 1, 2019 the Maximum Special Tax B for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

N. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX B

Commencing with Fiscal Year 2018-2019 and for each following Fiscal Year, the Council shall determine the Special Tax B Requirement and shall levy the Special Tax B on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax B equals the Special Tax B Requirement. The Special Tax B shall be levied for each Fiscal Year as follows:

- Step One: The Special Tax B shall be levied Proportionately on all Assessor's Parcels of Developed Property, including Developed Property with Attached Final Mapped Units, at up to 100% of the applicable Maximum Special Tax B to satisfy the Special Tax B Requirement;
- Step Two: If additional moneys are needed to satisfy the Special Tax B Requirement after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax B for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax B Requirement after the first two steps has been completed, the Special Tax B shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property at up to 100% of the Maximum Special Tax B for Undeveloped Property.

O. DURATION OF SPECIAL TAX B

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

P. MANNER OF COLLECTION

The Special Tax B shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that IA No. 4 may collect the Special Tax B at a different time or in a different manner if necessary to meet its funding requirements.

Q. SPECIAL TAX C (CONTINGENT)

The City Council shall levy Special Tax C (Contingent) commencing in the first Fiscal Year following the POA's default of its obligation to maintain the improvements described in Exhibit "D" attached hereto, which default shall be deemed to have occurred in each of the following circumstances:

- (i) the POA files for bankruptcy;
- (ii) the POA is dissolved;
- (iii) the POA ceases to levy annual assessments for the maintenance of the improvements described above; or

(iv) the POA fails to maintain such improvements at the same level as the City maintains similar improvements throughout the City and within ninety (90) days after written notice from the City, or such longer period permitted by the City Manager, fails to remedy such maintenance deficiency to the reasonable satisfaction of the City Council.

R. ASSIGNMENT TO LAND USE CATEGORY FOR SPECIAL TAX C (CONTINGENT)

For each Fiscal Year that Special Tax C (Contingent) is authorized to be levied, all Assessor's Parcels of Taxable Property within IA No. 4 shall be classified as Developed Property, Approved Property, or Undeveloped Property, and shall be subject to the levy of Special Taxes as determined pursuant to Sections S and T below. Assessor's Parcels of Developed Property and Approved Property shall be classified as either Residential Property or Non-Residential Property. For Residential Property the number of Residential Units shall be determined by the CFD Administrator.

S. MAXIMUM SPECIAL TAX C (CONTINGENT)

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property which are classified as Residential Property, all such Assessor's Parcels shall be assigned the number of Residential Unit(s) constructed thereon, or approved to be constructed thereon, as specified in or shown on the Building Permit(s) issued or Final Map as determined by the CFD Administrator. Once a single family attached building or buildings have been built on an Assessor's Parcel, the CFD Administrator shall determine the actual number of Residential Units contained within the building or buildings, and the Special Tax C (Contingent) levied against the Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the actual number of Residential Units by the Maximum Special Tax C (Contingent) per Residential Unit identified for the Assessor's Parcel.

For purposes of determining the applicable Maximum Special Tax C (Contingent) for Assessor's Parcels of Developed Property and Approved Property which are classified as Non-Residential Property, all such Assessor's Parcels shall be assigned the number of Acres as shown on the Final Map as determined by the CFD Administrator. Once the CFD Administrator determines the actual number of Acres for an Assessor's Parcel, the Special Tax C (Contingent) levied against an Assessor's Parcel in the next Fiscal Year shall be calculated by multiplying the number of Acres by the Maximum Special Tax C (Contingent) per Acre.

1. Developed Property

a. Maximum Special Tax C (Contingent)

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Taxable Property for Fiscal Year 2018-2019 is identified in Table 2 below:

**TABLE 4
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Maximum Special Tax C (Contingent) Per Taxable Unit
1. Residential Property, including Attached Final Mapped Units	RU	\$61
2. Non-Residential Property	Acre	\$606

On each July 1, commencing on July 1, 2019 the Maximum Special Tax C (Contingent) for Developed Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Category. The Maximum Special Tax C (Contingent) that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax C (Contingent) that can be levied for each Land Use Category located on that Assessor's Parcel. For an Assessor's Parcel that contains more than one land use, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Approved Property and Undeveloped Property

The Maximum Special Tax C (Contingent) for each Assessor's Parcel of Approved Property and Undeveloped Property for Fiscal Year 2018-2019 is identified in Table 5 below:

**TABLE 5
MAXIMUM SPECIAL TAX C (CONTINGENT) FOR
APPROVED PROPERTY AND UNDEVELOPED PROPERTY**

Maximum Special Tax C (Contingent) Per Acre
\$606

On each July 1, commencing on July 1, 2019 the Maximum Special Tax C (Contingent) for Approved Property and Undeveloped Property shall increase by i) the percentage increase in the Consumer Price Index (All Items) for Los Angeles - Riverside - Orange County (1982-84 = 100) since the beginning of the preceding Fiscal Year, or ii) by two percent (2.0%), whichever is greater.

T. METHOD OF APPORTIONMENT OF ANNUAL SPECIAL TAX

Commencing with the first Fiscal Year in which Special Tax C (Contingent) is authorized to be levied and for each following Fiscal Year, the Council shall determine the Special Tax C (Contingent) Requirement and shall levy the Special Tax C (Contingent) on all Assessor's Parcels of Taxable Property until the aggregate amount of Special Tax C (Contingent) equals the Special Tax C (Contingent) Requirement. The Special Tax C (Contingent) shall be levied for each Fiscal Year as follows:

- Step One: The Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Developed Property, including all Developed Property with Attached Final Mapped Units, at up to 100% of the applicable Maximum Special Tax C (Contingent) to satisfy the Special Tax C (Contingent) Requirement;
- Step Two: If additional moneys are needed to satisfy the Special Tax C (Contingent) Requirement after the first step has been completed, the Special Tax C (Contingent) shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the Maximum Special Tax C (Contingent) for Approved Property;
- Step Three: If additional monies are needed to satisfy the Special Tax C (Contingent) Requirement after the first two steps has been completed, the Special Tax C (Contingent) shall be levied Proportionately on all Assessor's Parcels of Undeveloped Property up to 100% of the Maximum Special Tax C (Contingent) for Undeveloped Property.

U. DURATION OF SPECIAL TAX C (CONTINGENT)

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

V. MANNER OF COLLECTION OF SPECIAL TAX C (CONTINGENT)

The Special Tax C (Contingent) shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that IA No. 4 may collect the Special Tax C (Contingent) at a different time or in a different manner if necessary to meet its funding requirements.

W. APPEALS OF SPECIAL TAXES

Any taxpayer may file a written appeal of the Special Taxes on his/her Assessor's Parcel(s) with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise

the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall take any of the following actions, in order of priority, in order to correct the error:

- (i) amend the Special Tax levy for the current Fiscal Year prior to the payment date;
- (ii) require the CFD to reimburse the taxpayer the amount of the overpayment to the extent of the available funds of IA No. 4; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within IA No. 4 in the amount of the overpayment.

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

EXHIBIT "A"

CERTIFICATE OF REDUCTION OF SPECIAL TAX A

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 4**

1. Pursuant to Section H of the Rate and Method of Apportionment, the Maximum Special Tax A for Developed Property for [certain or all] Land Use Categories within IA No. 4 has been reduced.
2. The calculations made pursuant to Section H were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A below show the Assigned Special Tax A for each Land Use Category in IA No. 4 after such reduction.

**TABLE 1A
ASSIGNED SPECIAL TAX A FOR DEVELOPED PROPERTY**

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax A Per Taxable Unit
1. Detached Residential Property	RU	Less than 1,500	\$
2. Detached Residential Property	RU	1,500 to 1,749	\$
3. Detached Residential Property	RU	1,750 to 1,999	\$
4. Detached Residential Property	RU	2,000 to 2,249	\$
5. Detached Residential Property	RU	2,250 to 2,499	\$
6. Detached Residential Property	RU	2,500 to 2,749	\$
7. Detached Residential Property	RU	2,750 to 2,999	\$
8. Detached Residential Property	RU	3,000 to 3,249	\$
9. Detached Residential Property	RU	3,250 to 3,499	\$
10. Detached Residential Property	RU	3,500 to 3,750	\$
11. Detached Residential Property	RU	Greater than 3,750	\$
12. Attached Residential Property	RU	Less than 800	\$
13. Attached Residential Property	RU	800 to 999	\$
14. Attached Residential Property	RU	1,000 to 1,199	\$
15. Attached Residential Property	RU	1,200 to 1,399	\$
16. Attached Residential Property	RU	1,400 to 1,599	\$
17. Attached Residential Property	RU	1,600 to 1,799	\$
18. Attached Residential Property	RU	1,800 to 1,999	\$
19. Attached Residential Property	RU	2,000 to 2,199	\$
20. Attached Residential Property	RU	2,200 to 2,400	\$
21. Attached Residential Property	RU	Greater than 2,400	\$

4. The Backup Special Tax A for each Assessor's Parcel of Developed Property shall equal an amount per Acre after such reduction as shown below.

The Backup Special Tax for an Assessor's Parcel of Developed Property shall equal \$ _____ per Acre of the Assessor's Parcel. The Backup Special Tax shall not apply to Non-Residential Property, Public Property, or Property Owners' Association Property.

5. Upon execution of the Certificate of Reduction of Special Tax A by the City and CFD No. 2018-1 the City shall cause an amended Notice of Special Tax Lien for IA No. 4 to be recorded reflecting the modifications set forth herein.

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2018-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Improvement Area No. 4 of Community Facilities District No. 2018-1 (Bedford) of the City of Corona

By: _____
Date as of: [closing date of Bonds]

EXHIBIT "B"

CERTIFICATE OF NO REDUCTION OF SPECIAL TAX A

**IMPROVEMENT AREA NO. 4 OF COMMUNITY FACILITIES DISTRICT NO. 2018-1
(BEDFORD)
OF THE CITY OF CORONA**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Categories is less than or equal to 1.95%
3. The Maximum Special Tax A for Developed Property within IA No. 4, including the Assigned Special Tax A set forth in Sections D.1.a. and the Backup Special Tax A set forth in Section D.1.c. of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____ Date as of: _____

EXHIBIT "C"

DESCRIPTION OF AUTHORIZED SPECIAL TAX B SERVICES

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 4**

The services which may be funded with proceeds of Special Tax B of IA No. 4, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing landscaped areas (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use. These services including the following:

(a) maintenance and lighting of perimeter parks, parkways, streets, roads and open space, which maintenance and lighting services may include, without limitation, furnishing of electrical power to street lights and traffic signals; repair and replacement of damaged or inoperative light bulbs, fixtures and standards; maintenance (including irrigation and replacement) of landscaping vegetation situated on or adjacent to parks, parkways, streets, roads and open space; maintenance and repair of irrigation facilities; maintenance of public signage; graffiti removal from and maintenance and repair of public structures situated on parks, parkways, streets, roads and open space; maintenance and repair of playground or recreation program equipment or facilities situated on any park; and

(b) maintenance and operation of water quality improvements which include storm drainage and flood protection facilities, including, without limitation, drainage inlets, catch basin inserts, infiltration basins, flood control channels, fossil fuel filters, and similar facilities. Maintenance services may include but is not limited to the repair, removal or replacement of all or part of any of the water quality improvements, fossil fuel filters within the public right-of-way including the removal of petroleum hydrocarbons and other pollutants from water runoff, or appurtenant facilities, clearing of inlets and outlets; erosion repairs; and cleanup to improvements, and other items necessary for the maintenance, servicing; or both of the water quality basin improvements within flood control channel improvements; and

(c) public street sweeping, on the segments of the arterials within the boundaries of IA No. 4; as well as local roads within residential subdivisions located within IA No. 4; and any portions adjacent to the properties within IA No. 4; and

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

EXHIBIT "D"

DESCRIPTION OF AUTHORIZED SPECIAL TAX C (CONTINGENT) SERVICES

**COMMUNITY FACILITIES DISTRICT NO. 2018-1 (BEDFORD)
OF THE CITY OF CORONA
IMPROVEMENT AREA NO. 4**

The services which may be funded with proceeds of Special Tax C (Contingent) of IA No. 4, as provided by Section 53313 of the Act, will include all costs attributable to maintaining, servicing, cleaning, repairing and/or replacing landscaped areas (may include reserves for replacement) in public street right-of-ways, public landscaping, public open spaces and other similar landscaped areas officially dedicated for public use. The authorized Special Tax C Services include the following:

(a) maintenance and operation of water quality improvements, which include the bio-retention facility and appurtenances as shown on the Final WQMP Site Plan and as an Exhibit in the Report of Responsible Officer, which shall be maintained as described in the Storm Water Management Plan on file with the City of Corona. Maintenance services may include, but are not limited to the repair, removal or replacement of all or part of any of the water quality improvements; and

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