

RESOLUTION NO. 2018-095

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA ESTABLISHING COMMUNITY FACILITIES DISTRICT NO. 2018-2 (SIERRA BELLA) OF THE CITY OF CORONA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND THE BOUNDARIES THEREOF AND APPROVING A FUNDING AND ACQUISITION AGREEMENT

WHEREAS, the City Council (the “City Council”) of the City of Corona (the “City”) has heretofore adopted Resolution No. 2018-101 stating that a community facilities district to be known as “Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona, County of Riverside, State of California” (“CFD No. 2018-2”), is proposed to be established pursuant to Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code, commonly known as the “Mello-Roos Community Facilities Act of 1982” (the “Act”), and fixing the time and place for a public hearing on the formation of CFD No. 2018-2; and

WHEREAS, CFD No. 2018-2 is proposed to be established for the purpose of financing the public facilities and services which are necessary to meet increased demands placed upon the City as a result of the development of the property within CFD No. 2018-2 and the financing of certain public facilities proposed to be acquired or constructed and financed by CFD No. 2018-2, as more particularly described in Exhibit A attached hereto (the “Facilities”), and it is proposed that CFD No. 2018-2 will be authorized to issue bonds and incur a bonded indebtedness for the purpose of financing such Facilities in the aggregate principal amount of \$20,000,000; and

WHEREAS, notice was published and mailed to the owner of all of the property in CFD No. 2018-2 relative to the intention of the City Council to establish CFD No. 2018-2, the levy of special taxes therein, the provision of public facilities and services therein and the incurring of a bonded indebtedness by CFD No. 2018-2 for the purpose of financing such public facilities, and of the time and place of the public hearing; and

WHEREAS, there has been presented to the City Council an agreement entitled “Funding and Acquisition Agreement” (the “Funding Agreement”) to be entered into between the City, on behalf of CFD No. 2018-2, and CalAtlantic Group, Inc., a Delaware corporation; and

WHEREAS, on September 19, 2018, the City Council conducted the public hearing as required by law relative to the formation of CFD No. 2018-2, the levy of special taxes therein, the provision of public facilities and services therein, and the incurring of a bonded indebtedness by CFD No. 2018-2; and

WHEREAS, prior to the commencement of the public hearing there was filed with the City Council a report (the “Report”) containing a description of the public facilities and services required to adequately meet the needs of CFD No. 2018-2, and an estimate of the fair and

reasonable costs of providing such public facilities and services, as required by Section 53321.5 of the Act; and

WHEREAS, at the public hearing all persons desiring to be heard on all matters pertaining to the formation of CFD No. 2018-2, the levy of the special taxes therein, the provision of public facilities and services therein, and the incurring of the bonded indebtedness thereby were heard, and a full and fair hearing was held; and

WHEREAS, at the public hearing evidence was presented to the City Council on the matters before it, and the City Council, at the conclusion of the hearing, was fully advised as to all matters relating to the formation of CFD No. 2018-2, the levy of the special taxes therein, the provision of public facilities and services therein, and the incurring of the bonded indebtedness therefor; and

WHEREAS, the City Council may, therefore, proceed to establish CFD No. 2018-2; and

WHEREAS, the City Clerk has advised the City Council that she has received a statement from the Registrar of Voters of the County of Riverside that there are no persons registered to vote in the territory of CFD No. 2018-2.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE CITY COUNCIL OF THE CITY OF CORONA AS FOLLOWS:

SECTION 1. Findings. The City Council finds as follows:

- (a) All of the preceding recitals are true and correct;
- (b) On September 19, 2018, pursuant to notice thereof duly given as provided by law, the City Council conducted a public hearing with respect to the formation of CFD No. 2018-2, and the incurring of bonded indebtedness by and for CFD No. 2018-2, the annual levying of specified special taxes on the taxable property within CFD No. 2018-2 to pay principal of and interest on bonds to be issued by and for CFD No. 2018-2 to finance the Facilities and other obligations which are described in Section 3(a) hereof, and the annual levying of specified special taxes on such taxable property to pay the costs of the services which are to be provided within and for CFD No. 2018-2 and which are described in Section 3(b) and (c) hereof;
- (c) The boundary map of CFD No. 2018-2 was recorded on August 22, 2018, pursuant to Sections 3111 and 3113 of the California Streets and Highways Code, at page 99 in Book 82 of Maps of Assessment and Community Facilities Districts, and as Instrument No. 2018-0337857 in the official records of the County of Riverside;
- (d) All prior proceedings with respect to the formation of CFD No. 2018-2 prior to and during the public hearing with respect to the formation of CFD No. 2018-2 which was conducted by the City Council on September 19, 2018, were valid and in conformity with the requirements of the Act;
- (e) No written protests were received, at or prior to the time of the public hearing, against the formation of CFD No. 2018-2, or the levying of the special taxes, or the incurring of

a bonded indebtedness by CFD No. 2018-2, or the furnishing of specified types of public facilities or services, and the special taxes, public facilities and services have, therefore, not been eliminated by majority protest pursuant to Section 53324 of the Act;

(f) The City Council is, therefore, authorized to adopt a resolution of formation pursuant to Section 53325.1 of the Act for the formation of Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona, County of Riverside, State of California, and CFD No. 2018-2 should be established; and

(g) Twelve (12) persons have not been registered to vote within the territory of CFD No. 2018-2 for each of the 90 days preceding the close of the public hearing on September 19, 2018, and pursuant to Section 53326 of the Act, the vote in the Consolidated Special Elections (defined below) provided for in Section 10 hereof shall, therefore, be by the landowners of CFD No. 2018-2 whose property would be subject to the special taxes if they were levied at the time of the elections, and each landowner shall have one vote for each acre, or portion thereof, which he or she owns within CFD No. 2018-2 which would be subject to the proposed special taxes if they were levied at the time of the elections.

SECTION 2. Formation of District. Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona, County of Riverside, State of California, is hereby established. The boundaries of CFD No. 2018-2 are set forth and shown on the map entitled “Proposed Boundary Map - Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona, County of Riverside, State of California,” which is on file with the City Clerk, and those boundaries are hereby established.

SECTION 3. Types of Facilities and Services; Incidental Expenses.

(a) A general description of public facilities proposed to be acquired or constructed and financed by CFD No. 2018-2 is set forth in Exhibit A attached hereto and incorporated herein by this reference (the “Facilities”).

(b) A general description of the services which are to be funded with the revenues from Special Tax B (defined below) which are to be levied on parcels of taxable property within CFD No. 2018-2 is set forth in Exhibit B attached hereto and incorporated herein by this reference (the “Special Tax B Services”).

(c) A general description of the services which are to be funded with the revenues from Special Tax C (Contingent) (defined below) which are to be levied on parcels of taxable property within CFD No. 2018-2 is set forth in Exhibit C attached hereto and incorporated herein by this reference (the “Special Tax C (Contingent) Services”).

(d) The incidental expenses, as such term is defined in Section 53317(c) of the Act, which will be incurred may include, but not be limited to: (i) the cost of planning and designing such facilities and the cost of environmental evaluations thereof, (ii) all costs associated with the formation of CFD No. 2018-2, issuance and administration of the bonds thereof, the determination of the amount of and collection of taxes, and the payment of taxes, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2018-2, and (iii) any

other expenses incidental to the construction, completion, acquisition and inspection of the Facilities (the “Incidental Expenses”).

SECTION 4. Special Taxes. Except where funds are otherwise available, a special tax sufficient to finance the Facilities and related Incidental Expenses (“Special Tax A”), a special tax sufficient to finance the Special Tax B Services and related Incidental Expenses (“Special Tax B”) and a special tax sufficient to finance the Special Tax C (Contingent) Services and related Incidental Expenses (“Special Tax C (Contingent)”) and, together with Special Tax A and Special Tax B, the “Special Taxes”), secured by the recordation of a continuing lien against all taxable or nonexempt property in CFD No. 2018-2, shall be annually levied within the CFD No. 2018-2.

Under no circumstances will Special Tax A levied in any fiscal year against any parcel used for private residential purposes be increased as consequence of delinquency or default by the owner of any other parcel or parcels within CFD No. 2018-2 by more than 10 percent (10%) above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. A parcel shall be considered “used for private residential purposes” not later than the date on which an occupancy permit or the equivalent for private residential use is issued and for such parcel.

For further particulars as to the rate and method of apportionment of the Special Taxes to be levied on parcels of taxable property in CFD No. 2018-2 reference is made to the attached and incorporated Exhibit “D” (the “Rate and Method”) which sets forth in sufficient detail the rate and method of apportionment of the Special Taxes to allow each landowner or resident within each CFD No. 2018-2 to clearly estimate the maximum amount that such person will have to pay.

The conditions under which the obligation to pay Special Tax A may be prepaid and permanently satisfied are as set forth in the Rate and Method. Special Tax B and Special Tax C (Contingent) may not be prepaid.

Pursuant to Section 53340 of the Act, said Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided however, that CFD No. 2018-2 may collect Special Taxes 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.

Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the Special Taxes shall attach to all non-exempt real property in CFD No. 2018-2, and that lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied in the case of Special Tax A and the lien is canceled in accordance with law or until collection of the Special Taxes ceases.

SECTION 5. Exempt Properties. Pursuant to Section 53340 of the Act, and except as provided in Section 53317.3 of the Act, properties of entities of the state, federal, and local governments shall be exempt from the levy of Special Taxes.

SECTION 6. Necessity. The City Council finds that the Facilities, the Special Tax B Services, and the Special Tax C (Contingent) Services described in Section 3 hereof are necessary to meet increased demands placed upon the City as a result of new development occurring within the boundaries of CFD No. 2018-2.

SECTION 7. Report. The Report is hereby approved and is made a part of the record of the public hearing regarding the formation of CFD No. 2018-2, and is ordered to be kept on file with the City Clerk as part of the transcript of these proceedings.

SECTION 8. Repayment of Funds Advanced or Work-in-Kind. Pursuant to Section 53314.9 of the Act, the City Council proposes to accept advances of funds or work-in-kind from private persons or private entities and to provide, by resolution, for the use of those funds or that work-in-kind for any authorized purpose, including but not limited to, paying any costs incurred by the City in creating CFD No. 2018-2, and to enter into an agreement, by resolution, with the person or entity advancing the funds or work-in-kind to repay funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council.

SECTION 9. Prohibition of Owner Contracts. Pursuant to Section 53329.5 of the Act, the City Council finds that the public interest will not be served by allowing the owners of property within CFD No. 2018-2 to enter into a contract in accordance with subdivision (a) of that section, and that such owners shall not be permitted to elect to perform the work and enter into a written contract with the City for the construction for the Facilities pursuant to said Section 53329.5.

SECTION 10. Description of Voting Procedures. Except as otherwise provided in this section, the consolidated special elections on the propositions identified below shall be conducted by the City Clerk in accordance with the provisions of the California Elections Code governing mail ballot elections of cities, insofar as they may be applicable. The voting procedures to be followed in conducting the consolidated special elections on (i) the proposition with respect to CFD No. 2018-2 incurring a bonded indebtedness, (ii) the proposition with respect to the levy of special taxes on parcels of taxable property within CFD No. 2018-2 to pay the principal of and interest on the bonds of CFD No. 2018-2, (iii) the proposition with respect to the levy of special taxes on parcels of taxable property within CFD No. 2018-2 to pay the annual costs of the Special Tax B Services and the Special Tax C (Contingent) Services and (iv) the proposition with respect to establishing an appropriations limit for CFD No. 2018-2 in the amount of \$20,000,000 (the "Consolidated Special Elections") shall be as follows:

(a) The Consolidated Special Elections shall be held on the earliest date, following the adoption by the City Council of this resolution, the resolution determining the necessity for CFD No. 2018-2 to incur a bonded indebtedness pursuant to Section 53351 of the Act, and a resolution pursuant to Section 53326 of the Act submitting to the qualified electors of CFD No. 2018-2 the propositions with respect to (i) CFD No. 2018-2 incurring a bonded indebtedness, (ii) the levy of special taxes to pay the principal of and interest on the bonds of CFD No. 2018-2, (iii) the levy of special taxes to pay the annual costs of the Special Tax B Services and the Special Tax C (Contingent) Services, and (iv) establishing an appropriations limit for the community facilities district to the qualified electors of the community facilities district, upon

which such elections can be held pursuant to Section 53326 which may be selected by the City Council, or such earlier date as the owners of land within CFD No. 2018-2 and the City Clerk agree and concur is acceptable.

(b) Pursuant to Section 53326 of the Act, the Consolidated Special Elections may be held earlier than 90 days following the close of the public hearing if the qualified electors of CFD No. 2018-2 waive the time limits for conducting the elections set forth in said Section 53326 by unanimous written consent and the City Clerk concurs in such earlier election date as shall be consented to by the qualified electors.

(c) Pursuant to Section 53326 of the Act, ballots for the Consolidated Special Elections shall be distributed to the qualified electors by the City Clerk by mail with return postage prepaid, or by personal service.

(d) Pursuant to applicable sections of the California Elections Code governing the conduct of mail ballot elections of cities, and specifically Division 4 (commencing with Section 4000) of the California Elections Code with respect to elections conducted by mail, the City Clerk shall mail or deliver to each qualified elector an official ballot in a form specified by the City Council in the resolutions calling and consolidating the Consolidated Special Elections, and shall also mail or deliver to all such qualified electors a ballot pamphlet and instructions to voter, including a sample ballot identical in form to the official ballot but identified as a sample ballot, a statement pursuant to Section 9401 of that Code, an impartial analysis by the City Attorney pursuant to Section 9280 of that Code with respect to the ballot propositions contained in the official ballot, arguments and rebuttals, if any, pursuant to Sections 9281 to 9287, inclusive, and 9295 of that Code, a return identification envelope with prepaid postage thereon addressed to the City Clerk for the return of voted official ballots, and a copy of Resolution No. 2018-101 provided, however, that such statement, analysis and arguments may be waived with the unanimous consent of all the landowners who are qualified electors and shall be so stated in the resolution adopted by the City Council calling the Consolidated Special Elections. Such statement, impartial analysis and arguments, if any, shall be prepared by the City Attorney.

(e) The official ballot to be mailed or delivered by the City Clerk or her designee to each landowner-voter shall have printed or typed thereon the name of the landowner-voter and the number of votes to be voted by the landowner-voter and shall have appended to it a certification to be signed by the person voting the official ballot which shall certify that the person signing the certification is the person who voted the official ballot, and if the landowner-voter is other than a natural person, that he or she is an officer of or other person affiliated with the landowner-voter entitled to vote such official ballot, that he or she has been authorized to vote such official ballot on behalf of the landowner-voter, that in voting such official ballot it was his or her intent, as well as the intent of the landowner-voter, to vote all votes to which the landowner-voter is entitled based on its land ownership on the propositions set forth in the official ballot as marked thereon in the voting square opposite each such proposition, and further certifying as to the acreage of the landowner-voter's land ownership within CFD No. 2018-2.

(f) The return identification envelope mailed or delivered by the City Clerk to each landowner-voter shall have printed or typed thereon the following: (i) the name of the landowner, (ii) the address of the landowner, (iii) a declaration under penalty of perjury stating

that the voter is the landowner or the authorized representative of the landowner entitled to vote the enclosed ballot and is the person whose name appears on the identification envelope, (iv) the printed name and signature of the voter, (v) the address of the voter, (vi) the date of signing and place of execution of the declaration, and (vii) a notice that the envelope contains an official ballot and is to be opened only by the City Clerk.

(g) The instruction to voter form to be mailed or delivered by the City Clerk to the landowner-voters shall inform them that the official ballots shall be returned to the City Clerk properly voted as provided thereon and with the certification appended thereto properly completed and signed in the sealed return identification envelope with the certification thereon completed and signed and all other information to be inserted thereon properly inserted by the hour on the date of the election which is specified by the City Council in the resolution calling the Consolidated Special Elections for the receipt of voted ballots; provided that if all qualified voters have voted, the elections shall be closed with the concurrence of the City Clerk.

(h) Upon receipt of the return identification envelopes which are returned prior to the voting deadline on the date of the elections, the City Clerk shall canvass the votes cast in the Consolidated Special Elections, and shall file a statement with the City Council as to the results of such canvass and the election on each proposition set forth in the official ballot.

The procedures set forth in this section for conducting the consolidated special elections, if they are held, may be modified as the City Council may determine to be necessary or desirable by a resolution subsequently adopted by the City Council.

SECTION 11. Funding and Acquisition Agreement. The Funding Agreement is approved and the City Manager and the City Clerk are authorized to execute and deliver the Funding and Acquisition Agreement on behalf of the City in the form presented to the City Council at the meeting at which this resolution is adopted, with such changes therein as the officer executing the same may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

PASSED, APPROVED AND ADOPTED this 19th day of September, 2018.

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 Resolution was regularly passed and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 19th day of September, 2018, 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 19th day of September, 2018.

City Clerk of the City of Corona

EXHIBIT A

DESCRIPTION OF FACILITIES

The proposed types of public facilities to be financed by CFD No. 2018-2 include:

The construction, purchase, modification, expansion and/or improvement of certain storm drain facilities, flood control facilities, water and wastewater facilities (including, without limitation, domestic and recycled water facilities, water tank facilities, wells, reservoirs, pipelines, waterlines, storm and sewer drains and related infrastructure and improvements), street lights, traffic signals, sewer facilities and equipment and related infrastructure improvements, both onsite and offsite, and all appurtenances and appurtenant work in connection with the foregoing (including utility line relocations and electric, gas and cable utilities) (the “Facilities”), and to finance the incidental expenses to be incurred.

EXHIBIT B

DESCRIPTION OF SPECIAL TAX B SERVICES

The services which may be funded with proceeds of Special Tax B of CFD No. 2018-2, 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 signal; 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 CFD No. 2018-2; as well as local roads within residential subdivisions located within CFD No. 2018-2; and any portions adjacent to the properties within CFD No. 2018-2; 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 C

DESCRIPTION OF SPECIAL TAX C (CONTINGENT) SERVICES

The services which may be funded with proceeds of Special Tax C (Contingent) of CFD No. 2018-2, 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 lighting of interior parks, parkways, streets, roads and open space, which maintenance and lighting services may include, without limitation, furnishing of electrical power to street lights; repair and replacement of damaged or inoperative light bulbs, fixtures and standards; and

(b) 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 D

RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2018-2 (SIERRA BELLA) OF THE CITY OF CORONA

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 the Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona (“CFD No. 2018-2”). 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. 2018-2 by applying the appropriate Special Tax for Developed Property, Approved Property, Undeveloped Property, Public Property and/or Property Owner’s Association 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. 2018-2 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 A 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. 2018-2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 2018-2 or any designee thereof of complying with disclosure requirements of the City, CFD No. 2018-2 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 A effective tax rate prior to the issuance of the first series of Bonds; the costs of the City, CFD No. 2018-2 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. 2018-2 for any other administrative purposes of CFD No. 2018-2, 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 March 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.

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

“Boundary Map” means a recorded map of the CFD 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 CFD No. 2018-2 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, 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 Footage” or “BSF” means the square footage 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. 2018-2”** means Community Facilities District No. 2018-2 (Sierra Bella) 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 CFD No. 2018-2, 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.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a Building Permit for new construction was issued on or before March 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.

“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 and Table 2 of Section M.

“Maximum Special Tax A” means the maximum Special Tax A, determined in accordance with Section D below that can be levied by CFD No. 2018-2 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 CFD No. 2018-2.

“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 CFD No. 2018-2.

“Multifamily Property” means all Assessor’s Parcels of Residential Property for which a building permit has been issued or may be issued for purposes of constructing two or more Residential Units that share common walls, including but not limited to duplexes, triplexes, townhomes, condominiums, and apartment units, as determined by the CFD Administrator.

“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 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, Public Property and Property Owner’s Association 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, (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, (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's 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, 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.

“Single Family Residential Property” means all Assessor's Parcels of 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.

“Special Tax(es)” means any of the special taxes authorized to be levied within CFD No. 2018-2 pursuant to the Act.

“Special Tax A” means any of the special taxes authorized to be levied within CFD No. 2018-2 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, and (vi) the collection or accumulation of funds for the acquisition or construction of facilities authorized by CFD No. 2018-2 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 Step 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 CFD No. 2018-2 in both the current Fiscal

Year and the next 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, 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) an allocable share of Administrative Expenses, 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 CFD No. 2018-2, which are not Exempt Property.

“Taxable Unit” means either a Residential Unit 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 2019-2020 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 2019-2020, each Assessor's Parcel within CFD No. 2018-2 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 Single Family Residential Property, or Multifamily Property. Each Assessor's Parcel of Single Family 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.

D. MAXIMUM SPECIAL TAX A

1. Developed Property

The Maximum Special Tax A for each Assessor's Parcel of Single Family 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 or Multifamily 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 Single Family Residential Property, Multifamily 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 2019-2020 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 Per Taxable Unit
1. Single Family Residential Property	RU	Less than 2,200	\$4,187.00
2. Single Family Residential Property	RU	2,200 to 2,500	\$4,374.00
3. Single Family Residential Property	RU	2,501 to 2,800	\$4,568.00
4. Single Family Residential Property	RU	2,801 to 3,100	\$4,762.00
5. Single Family Residential Property	RU	3,101 to 3,400	\$4,957.00
6. Single Family Residential Property	RU	3,401 to 3,700	\$5,158.00
7. Single Family Residential Property	RU	Greater than 3,700	\$5,383.00
8. Multifamily Property	Acres	N/A	\$26,299
9. Non-Residential Property	Acres	N/A	\$26,299

b. Multiple Land Use Categories

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Type. 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 type of property shall be final.

c. Backup Special Tax A

The Backup Special Tax A for an Assessor's Parcel within a Final Map classified or to be classified as Single Family Residential Property shall be \$4,964 per Residential Unit. This Backup Special Tax A has been established based on the land use configurations shown on Tentative Tract Map No. 36451, 36451-1, and 36451-2. In the event any portion of Tentative Tract Map No. 36451, 36451-1, and 36451-2 is changed or modified, the Backup Special Tax A for all Assessor's Parcels within such changed or modified area shall be \$26,299 per Acre.

In the event any superseding Tract Map is recorded as a Final Map within the boundaries of the CFD, the Backup Special Tax A for all Assessor's Parcels within such Final Map shall be \$26,299 per Acre.

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

2. Approved Property

The Maximum Special Tax A for each Assessor's Parcel of Approved Property expected to be classified as Single Family 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 Multifamily Residential Property or Non-Residential Property shall be \$26,299 per Acre.

3. Undeveloped Property, Public Property, and Property Owner's Association Property that is not Exempt Property pursuant to the provisions of Section F

The Maximum Special Tax A for each Assessor's Parcel of Undeveloped Property, Public Property and/or Property Owners Association Property that is not Exempt Property shall be equal to the product of \$26,299 multiplied by the Acreage of such Assessor's Parcel.

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX A

Commencing Fiscal Year 2019-2020 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 Annual 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 owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, federal or other local governments, including school districts, (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) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by a homeowners' association, (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 49.71 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 49.71 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 49.71 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 \$13,600,000 expressed in 2018 dollars, which shall increase by the Construction Inflation Index on July 1, 2019, and on each July 1 thereafter, or such lower amount (i) determined by the City Council as sufficient to provide the public facilities under the authorized bonding program for CFD No. 2018-2, 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 to hold funds, which are currently available for expenditure to acquire or construct public facilities eligible under CFD No. 2018-2.

"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 the CFD 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 Taxes 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 the CFD, including the cost of computation of the Prepayment Amount, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Maximum Special Tax 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 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

PE = 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 the CFD 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 the CFD 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 CFD No. 2018-2.

“PACE Charges” means a contractual assessment or special tax as established by a public agency 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 CFD No. 2018-2 as identified in the Price Point Study.

“Price Point” means, with respect to the Residential Dwelling Units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such Residential Dwelling Units, estimated by the Price Point Consultant as of such date, including any incentives and

concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

“Price Point Consultant” means any consultant or firm of such consultants selected by CFD No. 2018-2 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. 2018-2 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2018-2, (ii) the City, (iii) any owner of real property in CFD No. 2018-2, or (iv) any real property in CFD No. 2018-2, and (e) is not connected with CFD No. 2018-2 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2018-2 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 CFD No. 2018-2, (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 CFD No. 2018-2.

“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 CFD No. 2018-2, 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, Special Tax C (Contingent), if it is being levied in such Fiscal Year, 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) levied or imposed on all Residential Units of such Plan Type in CFD No. 2018-2 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 CFD No. 2018-2. 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 Dwelling Units for such Plan Type in CFD 2018-2 as identified in the Price Point Study.

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 CFD No. 2018-2 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, CFD No. 2018-2 shall cause a Price Point Study to be delivered to the CFD Administrator.

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 CFD No. 2018-2.

3. Separately, for each Land Use Category of for-sale Residential Property in CFD No. 2018-2, 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 CFD No. 2018-2 is less than or equal to 1.95%, then there shall be no change in Special Tax A for such Land Use Category in CFD No. 2018-2.

b. If the Total Effective Tax Rate for any Plan Type in a Land Use Category in CFD No. 2018-2 is greater than 1.95%, the CFD Administrator shall calculate a revised Assigned Special Tax A for such Land Use Category in CFD No. 2018-2, 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 CFD No. 2018-2. 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 CFD No. 2018-2 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 CFD No. 2018-2. 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. 2018-2 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. 2018-2 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. 2018-2 of the acknowledgement on the Certificate of Reduction in Special Tax A, CFD No. 2018-2 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for CFD No. 2018-2 reflecting the Assigned Special Tax A and the Backup Special Tax A for CFD No. 2018-2 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. 2018-2 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. 2018-2 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. 2018-2 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 2060-2061 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 CFD No. 2018-2 Bonds have been paid; (ii) all authorized facilities of CFD No. 2018-2 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 CFD No. 2018-2 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 CFD No. 2018-2 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 2019-2020 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 CFD No. 2018-2 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. Residential Property shall be further classified as Single Family Residential Property or Multi-Family Property. For Single Family 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 Single Family 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 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 Multifamily Property or 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 Taxable Acre.

1. Developed Property

a. Maximum Special Tax B

The Maximum Special Tax B for each Assessor's Parcel of Taxable Property for Fiscal Year 2019-2020 is identified in Table 2 below:

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

Land Use Category	Taxable Unit	Maximum Special Tax Per Taxable Unit
1. Single Family Residential Property	RU	\$788
2. Multifamily Property	Acre	\$3,757
3. Non-Residential Property	Acre	\$3,757

On each July 1, commencing on July 1, 2020 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 2019-2020 is identified in Table 3 below:

**TABLE 3
MAXIMUM SPECIAL TAX B RATES**

Maximum Special Tax B Per Acre
\$3,757

On each July 1, commencing on July 1, 2020 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 2019-2020 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 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 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 CFD No. 2018-2 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, the POA 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 CFD No. 2018-2 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. Residential Property shall be further classified as Single Family Residential Property or Multi-Family Property. For Single Family 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 Single Family 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 Multifamily Property or 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 2019-2020 is identified in Table 2 below:

TABLE 2
MAXIMUM SPECIAL TAX C (CONTINGENT)
FOR DEVELOPED PROPERTY

Land Use Category	Taxable Unit	Maximum Special Tax Per Taxable Unit
1. Single Family Residential Property	RU	\$19
2. Multifamily Property	Acre	\$88
3. Non-Residential Property	Acre	\$88

On each July 1, commencing on July 1, 2020 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 2019-2020 is identified in Table 3 below:

TABLE 3
MAXIMUM SPECIAL TAX C (CONTINGENT)
FOR APPROVED PROPERTY AND UNDEVELOPED PROPERTY

Maximum Special Tax C (Contingent) Per Acre
\$88

On each July 1, commencing on July 1, 2020 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 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 CFD No. 2018-2 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 CFD No. 2018-2; or
- (iii) grant a credit against, eliminate or reduce the future Special Taxes levied on the taxpayer's property within CFD No. 2018-2 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. 2018-2 (SIERRA BELLA)
OF THE CITY OF CORONA**

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 CFD No. 2018-2 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 CFD No. 2018-2 after such reduction.

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

Land Use Category	Taxable Unit	Building Square Footage	Assigned Special Tax Per Taxable Unit
1. Single Family Residential Property	RU	Less than 2,200	\$
2. Single Family Residential Property	RU	2,200 to 2,500	\$
3. Single Family Residential Property	RU	2,501 to 2,800	\$
4. Single Family Residential Property	RU	2,801 to 3,100	\$
5. Single Family Residential Property	RU	3,101 to 3,400	\$
6. Single Family Residential Property	RU	3,401 to 3,700	\$
7. Single Family Residential Property	RU	Greater than 3,700	\$
8. Multifamily Property	Acres	N/A	\$

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 A for an Assessor’s Parcel within a Final Map classified or to be classified as Single Family Residential Property shall be \$_____ per unit. This Backup Special Tax A has been established based on the land use configurations shown on Tract Map No. _____. In the event any portion of Tract Map No. _____ is changed or modified, the Backup Special Tax A for all Assessor’s Parcels within such changed or modified area shall be \$_____ per Acre.

In the event any superseding Tract Map is recorded as a Final Map within the Boundaries of the CFD, the Backup Special Tax A for all Assessor’s Parcels within such Final Map shall be \$_____ per Acre.

5. Upon execution of the Certificate of Reduction of Special Tax A by the City and CFD No. 2018-2 the City shall cause an amended Notice of Special Tax Lien for CFD No. 2018-2 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. 2018-2, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2018-2 (Sierra Bella) of the City of Corona

By: _____ Date: [closing date of Bonds]

EXHIBIT “B”

CERTIFICATE OF NO REDUCTION OF SPECIAL TAX A

**COMMUNITY FACILITIES DISTRICT NO. 2018-2 (SIERRA BELLA)
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 CFD No. 2018-2, 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: [closing date of Bonds] _____

EXHIBIT “C”

DESCRIPTION OF AUTHORIZED SPECIAL TAX B SERVICES

COMMUNITY FACILITIES DISTRICT NO. 2018-2 (SIERRA BELLA) OF THE CITY OF CORONA

The services which may be funded with proceeds of Special Tax B of CFD No. 2018-2, 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 signal; 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 CFD No. 2018-2; as well as local roads within residential subdivisions located within CFD No. 2018-2; and any portions adjacent to the properties within CFD No. 2018-2; 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. 2018-2 (SIERRA BELLA) OF THE CITY OF CORONA

The services which may be funded with proceeds of Special Tax C (Contingent) of CFD No. 2018-2, 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 lighting of interior parks, parkways, streets, roads and open space, which maintenance and lighting services may include, without limitation, furnishing of electrical power to street lights; repair and replacement of damaged or inoperative light bulbs, fixtures and standards; and

(b) 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.