

RECORDING REQUESTED BY, AND
WHEN RECORDED, RETURN TO:

City Manager
City of Beaumont
550 East Sixth Street
Beaumont, California 92223



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NOTICE OF SPECIAL TAX LIEN

Community Facilities District No. 93-1
of the City of Beaumont
(Improvement Area No. 7E)

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Pursuant to the requirements of Section 3114.5 of the Streets and Highways Code of the State of California and Section 53328.3 of the Government Code of the State of California, the undersigned City Manager of the City of Beaumont, State of California, the City Council of which acts as the legislative body (the "Legislative Body") of Community Facilities District No. 93-1 (the "District") with respect to Improvement Area No. 7E of said District, hereby gives notice that a lien to secure payment of a special tax is hereby imposed by the Legislative Body. The special tax secured by this lien is authorized to be levied for the purpose of financing the acquisition and construction of public infrastructure facilities, or fees representing infrastructure facilities, and for paying principal of and interest on bonds, the proceeds of which are being used to finance all or a portion of the acquisition and construction of public infrastructure facilities, including sewage facilities, water facilities, school facilities, transportation facilities, flood control and drainage facilities, public utility facilities, parks and open space, civic facilities, other landscaping and erosion control facilities and financing costs and incidentals, together with necessary appurtenances thereto and site and right-of-way acquisition, and services related to such facilities, and all other expenses incidental thereto and for administrative costs related to the bonds and the District.

TAXES LEVIED BY THIS DISTRICT MAY BE USED TO PAY FOR CLEANUP OF HAZARDOUS SUBSTANCES.

The special tax is authorized to be levied on property within Improvement Area No. 7E of the District which has now been officially established and designated, and the lien of the special tax is a continuing lien which shall secure the annual levy of the special tax and which shall continue in force and effect until the special tax obligation is prepaid, permanently satisfied and canceled in accordance with law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the Government Code.

The rate, method of apportionment and manner of collection of the authorized special tax (the "Rate and Method of Apportionment") for Improvement Area No. 7E is attached hereto as Exhibit A.

Conditions, if any, under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of special tax canceled shall be determined in accordance with the Rate and Method of Apportionment.

Notice is further given that upon the recording of this notice in the office of the County Recorder for the County of Riverside, the obligation to pay the special tax shall become a lien upon all non-exempt real property within Improvement Area No. 7E of City of Beaumont Community Facilities District No. 93-1 in accordance with Section 3115.5 of the Streets and Highways Code.

The names of the owners of the real property included within Improvement Area No. 7E and the assessor=s tax parcel numbers and specific legal description of the real property included within Improvement Area No. 7E and not exempt from the special tax are as follows as they appear on the latest secured assessment roll as of the date of recording of this notice or as otherwise known to the City Manager of the City of Beaumont:

PROPERTY OWNER	ASSESSOR=S PARCEL NO.	LEGAL DESCRIPTION
Hirair A. Hovnanian, an individual	421-130-004-3 (portion); 421-130-009-8 (portion); 421-130-017-5 (portion); 421-130-018-6 (portion); 421-130-019-7 (portion); 421-130-020-7 (portion)	Lot 5 of Tract No. 32259 recorded on December 27, 2004 in Book 371, Pages 22-27 in the records of the County Recorder of the County of Riverside

Reference is made to the boundary map, being Amended Map No. 15 Proposed Boundaries of Community Facilities District No. 93-1 City of Beaumont recorded on February 24, 2005 as Instrument No. 2005-0150141, in Book 61, Page 3 of Maps of Assessment and Community Facilities Districts in the office of the County Recorder of the County of Riverside, California, which map is now the final boundary map of the District and the Improvement Areas therein.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact:

City Manager
City of Beaumont
550 East Sixth Street
Beaumont, California 92223
(951) 769-8520

DATED: April 7, 2005

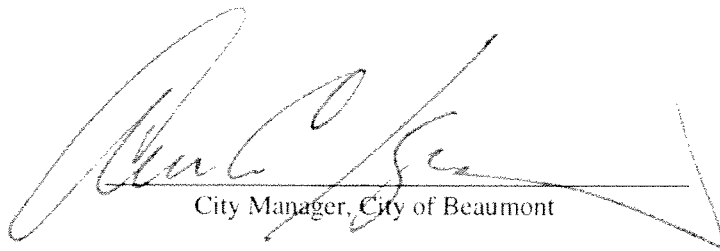

City Manager, City of Beaumont

EXHIBIT A

RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 7E OF COMMUNITY FACILITIES DISTRICT NO. 93-1 OF THE CITY OF BEAUMONT

A Special tax as hereinafter defined shall be levied on and collected in Improvement Area No. 7E ("IA No. 7E") of Community Facilities District No. 93-1 of the City of Beaumont ("CFD No. 93-1") each Fiscal Year, in an amount determined by the City Council of the City of Beaumont through the application of the appropriate Special Tax for "Developed Property," "Final Map Property," and "Undeveloped Property," as described below. All of the real property in IA No. 7E of CFD No. 93-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION 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. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

"Act" means the Mello-Roos Communities Facilities Act of 1982 as amended, being Chapter 2.5, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any ordinary and necessary expense of the City to carry out the administration of IA No. 7E of CFD No. 93-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any City employee whose duties are directly related to the administration of IA No. 7E, and costs otherwise incurred in order to carry out the authorized purposes of IA No. 7E.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 93-1.

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

"Assigned Special Tax for Facilities" means the Special Tax of that name described in Section D below.

"Backup Special Tax for Facilities" means the Special Tax of that name described in Section E below.

"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 Taxes for Facilities have been pledged.

“Building Permit” means a permit for new construction for a residential dwelling or non-residential structure. For purposes of this definition, “Building Permit” shall not include permits for construction or installation, retaining walls, utility improvements, or other such improvements not intended for human habitation.

“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 application 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 determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 93-1” means Community Facilities District No. 93-1 established by the City under the Act.

“City” means the City of Beaumont.

“City Council” means the City Council of the City, acting as the Legislative Body of CFD No. 93-1, or its designee.

“Condominium” means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

“Consumer Price Index” means the index published monthly by the U.S. Department of Labor, Bureau of Labor Statistics for all urban consumers in the Los Angeles-Riverside-Orange County area.

“County” means the County of Riverside.

“Developed Property” means all Assessor’s Parcels that: (i) were issued Building Permits on or before June 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) were created on or before the June 1st preceding the Fiscal Year in which the Special Tax is being levied, and that each such Assessor’s Parcel is associated with a Lot, as reasonably determined by the City.

“Dwelling Unit” means one or more separate residence on a Parcel.

“Exempt Property” means all Assessors’ Parcels designated as being exempt from Special Tax as determined in Section J.

“Final Map” means a subdivision of property evidenced by the 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 the recordation of a Condominium plan pursuant to California Civil Code 1352 that creates individual lots for which Building Permits may be issued without further subdivision.

“Final Map Property” means all Assessor’s Parcels: (i) that are included in a Final Map that was recorded prior to the June 1st preceding the Fiscal Year in which the Special Tax is being levied, and (ii) for which a Building Permit was not issued prior on or before June 1 preceding the Fiscal Year in which the Special Tax is being levied.

“Fiscal Year” means the period commencing on July 1 of any year and ending the following June 30.

“Improvement Area No. 7E” or “IA No. 7E” means Improvement Area No. 7E as depicted on the boundary map of CFD No. 93-1.

“Lot” means an individual legal lot created by a Final Map for which a Building Permit could be issued.

“Maximum Special Tax” means the Maximum Special Tax for Facilities and Maximum Special Tax for Services.

“Maximum Special Tax for Facilities” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

“Maximum Special Tax for Services” means the maximum Special Tax, determined in accordance with Section C that can be levied by CFD No. 93-1 in any Fiscal Year on any Assessor’s Parcel.

“Non Residential Property” means all Assessors’ Parcels of (i) Developed Property for which a Building Permit was issued for any type of non-residential use, or (ii) Final Map Property.

“Operating Fund” means a fund that shall be maintained for IA No. 7E of CFD No. 93-1 for any Fiscal Year to pay for the actual costs of maintenance, repair, and replacement of the Service Area, and the Administrative Expenses.

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

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax for Facilities obligation for an Assessor’s Parcel, as described in Section H.

“Prepayment Amount” means the amount required to prepay the Special Tax for Facilities obligation in full for an Assessor’s Parcel, as described in Section G.

“Proportionately” means that i) the ratio of the actual Special Tax for Facilities levy to the applicable Assigned Special Tax for Facilities is equal for all applicable Assessor’s Parcels and ii) the ratio of the actual Special Tax for Services levy to the applicable Maximum Special Tax for Services is equal for all applicable Assessor’s Parcels. In case of Developed Property subject to the apportionment of the Special Tax for Facilities under step four of Section F, “Proportionately” means that the quotient of (a) the actual Special Tax for Facilities levy less the Assigned Special Tax for Facilities divided by (b) the Backup Special Tax for Facilities less the Assigned Special Tax for Facilities, is equal for all applicable Assessor’s Parcels.

“Residential Property” means all Assessors’ Parcels of (i) Developed Property for which a Building Permit has been issued for purposes of constructing one or more residential dwelling units, or (ii) Parcels on a Final Map.

“Service Area” means the landscape parkways, neighborhood park, easements and green belts within the boundaries of IA No. 7E and the City of Beaumont, and IA No. 7E’s fair share of storm drain and flood control facilities.

“Special Tax” means Special Tax for Facilities and Special Tax for Services.

“Special Tax Category” means the classification for a Parcel by name and/or Building Square Footage.

“Special Tax for Facilities” means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Facilities.

“Special Tax for Services” means any of the special taxes authorized to be levied by CFD No. 93-1 pursuant to the Act to fund the Special Tax Requirement for Services.

“Special Tax Requirement” means Special Tax Requirement for Facilities and Special Tax Requirement for Services.

“Special Tax Requirement for Facilities” means the amount required in any Fiscal Year for IA No. 7E 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) Administrative Expenses, (iii) the costs associated with the release of funds from an escrow account, and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, (v) the collection or accumulation of funds for the acquisition or construction of facilities authorized by IA No. 7E provided that such amount shall not be levied later than the 2049-2050 Fiscal Year, and the inclusion of such amount does not cause an increase in the levy of Special Tax for Facilities on Final Map Property or Undeveloped Property, less (vi) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

“Special Tax Requirement for Services” means the amount determined in any Fiscal Year for IA No. 7E equal to (i) the budgeted costs of the maintenance, repair and replacement of the Service Area which have been accepted and maintained or are reasonably expected to be accepted and maintained during the current Fiscal Year, (ii) Administrative Expenses, and (iii) anticipated delinquent Special Taxes for Services based on the delinquency rate in IA No. 7E for the previous Fiscal Year, less (iv) the Operating Fund Balance.

“Taxable Property” means all Assessors’ Parcels within CFD No. 93-1 which are not Exempt Property.

“Undeveloped Property” means all Assessors’ Parcels of Taxable Property which are not Developed Property or Final Map Property.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2005-2006, each Assessor’s Parcel within IA No. 7E 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, Final Map Property or Undeveloped Property. Lastly, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property or Non Residential Property.

SECTION C MAXIMUM SPECIAL TAXES

1. Developed Property

- a. The Maximum Special Tax for Facilities for each Assessor’s Parcel of Residential Property that is classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Special Tax for Facilities in Table 1 or (ii) the application of the Backup Special Tax for Facilities. The Maximum Special Tax for Facilities for each Assessor’s Parcel of Non-Residential Property that is classified as Developed Property in any Fiscal Year shall be the Assigned Special Tax for Facilities in Table 1.

- b. The Maximum Special Tax for Services for each Assessor's Parcel of Residential Property that is classified as Developed Property for Fiscal Year 2004-2005 shall be \$240 per unit. The Maximum Special Tax for Services for each Assessor's Parcel of Non-Residential Property that is classified as Developed Property for Fiscal Year 2004-2005 shall be \$1,600 per Acre. On each July 1, commencing July 1, 2005, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

2. Final Map Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Final Map Property shall be the Assigned Special Tax for Facilities in Table 1.
- b. The Maximum Special Tax for Services for each Assessor's Parcel classified as Final Map Property in Fiscal Year 2004-2005 shall be \$1,600 per Acre. On each July 1, commencing July 1, 2005, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

3. Undeveloped Property

- a. The Maximum Special Tax for Facilities for each Assessor's Parcel classified as Undeveloped Property shall be the Assigned Special Tax for Facilities in Table 1.
- b. The Maximum Special Tax for Services for each Assessor's Parcel classified as Undeveloped Property in Fiscal Year 2004-2005 shall be \$1,600 per Acre. On each July 1, commencing July 1, 2005, the Maximum Special Tax for Services for the prior Fiscal Year shall be adjusted by an amount equal to the percentage change in the Consumer Price Index for the Calendar Year ending in December of the prior Fiscal Year.

**SECTION D
ASSIGNED SPECIAL TAX FOR FACILITIES**

Each Fiscal Year, each Assessor's Parcel of Developed Property, Final Map Property, and Undeveloped Property shall be subject to an Assigned Special Tax. The Assigned Special Tax applicable to an Assessor's Parcel of Developed Property, Final Map Property, and Undeveloped Property for any Fiscal Year shall be determined pursuant to Table 1 below.

**TABLE 1
ASSIGNED SPECIAL TAX RATES FOR FACILITIES**

Special Tax Class	Land Use Designation	Square Footage Range	Assigned Special Tax for Fiscal Year 2004-2005
1	Residential, Condominiums	N/A	\$1,900 per Dwelling Unit or Lot
2	Residential, Single Family Detached	Less than 1,700	\$2,230 per Dwelling Unit or Lot
3	Residential, Single Family Detached	1,700 to 1,999	\$2,530 per Dwelling Unit or Lot
4	Residential, Single Family Detached	2,000 to 2,125	\$2,870 per Dwelling Unit or Lot
5	Residential, Single Family Detached	2,126 to 2,399	\$3,100 per Dwelling Unit or Lot
6	Residential, Single Family Detached	More than 2,399	\$3,730 per Dwelling Unit or Lot
7	Non-Residential	N/A	\$29,000 per Acre
8	Final Map Property	N/A	\$29,000 per Acre
9	Undeveloped Property	N/A	\$22,000 per Acre

On each July 1, commencing on July 1, 2005, the Assigned Special Tax for Facilities for each Assessor's Parcel of Developed Property, Final Map Property, and Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION E
BACKUP SPECIAL TAXES FOR FACILITIES**

Each Fiscal Year, each Assessor's Parcel of Developed Property classified as Residential Property shall be subject to a Backup Special Tax for Facilities. In each Fiscal Year, the Backup Special Tax for Facilities rate for Developed Property classified as Residential Property within a Final Map shall be the rate per Dwelling Unit or Lot calculated according to the following formula:

$$B = \frac{T}{L}$$

The terms above have the following meanings:

- B = Backup Special Tax for Facilities per Residential Property Dwelling Unit or Lot by Special Tax Category each Fiscal Year
- T = Total Special Tax for Facilities per Table 2 by Special Tax Category for the applicable Fiscal Year
- L = Dwelling Units and Lots in the Final Map per Special Tax Category which are classified or to be classified as Residential Property.

**TABLE 2
BACKUP SPECIAL TAX FOR FACILITIES**

Special Tax Class	Land Use Designation/Square Footage Range	Expected Number of Dwelling Units	Total Special Tax for Fiscal Year 2004-2005	Anticipated Backup Special Tax per Dwelling Unit or Lot
1	Residential, Condominiums/N/A	50	\$ 71,250	\$1,900
2	Residential, Single Family Detached/ < 1,700	66	\$110,550	\$2,230
3	Residential, Single Family Detached/ 1,700 – 1,999	57	\$108,300	\$2,530
4	Residential, Single Family Detached/ 2,000 – 2,125	47	\$101,050	\$2,870
5	Residential, Single Family Detached/ 2,126 – 2,399	53	\$123,225	\$3,100
6	Residential, Single Family Detached/ > 2,399	59	\$165,200	\$3,730

Each July 1, commencing on July 1, 2005, the Backup Special Tax for each Assessor's Parcel shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

**SECTION F
METHOD OF APPORTIONMENT OF THE SPECIAL TAX FOR FACILITIES AND
THE SPECIAL TAX FOR SERVICES**

1. Commencing Fiscal Year 2005-2006 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Facilities on all Taxable Property within IA No. 7E until the amount of Special Tax for Facilities equals the Special Tax Requirement for Facilities in accordance with the following steps:

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

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

Step Three: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property, excluding any Undeveloped Property pursuant to Section J., at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

Step Four: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then for each Assessor's Parcel of Developed Property whose Maximum Special Tax for Facilities is the Backup Special

Tax for Facilities shall be increased Proportionately from the Assigned Special Tax for Facilities up to 100% of the Backup Special Tax for Facilities as needed to satisfy the Special Tax Requirement for Facilities.

Step Five: If additional moneys are needed to satisfy the Special Tax Requirement for Facilities after the first four steps have been completed, the Special Tax for Facilities shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property classified as Undeveloped Property pursuant to Section J, at up to 100% of the Assigned Special Tax for Facilities applicable to each such Assessor's Parcel as needed to satisfy the Special Tax Requirement for Facilities.

2. Commencing Fiscal Year 2005-2006 and for each subsequent Fiscal Year, the City Council shall levy a Special Tax for Services on all Taxable Property within IA No. 7E until the amount of Special Tax for Services equals the Special Tax Requirement for Services in accordance with the following steps:

Step One: The Maximum Special Tax for Services shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Maximum Special Tax for Services as needed to satisfy the Special Tax Requirement for Services.

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

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

Under no circumstances will the Special Tax for Facilities or the Special Tax for Services levied against any Assessor's Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Assessor's Parcel or Parcels within CFD No. 93-1 by more than ten (10) percent of the Special Tax that would be levied in that Fiscal Year, if there were no delinquencies, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of CFD No. 93-1.

SECTION G PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The following definitions apply to this Section G:

“CFD Public Facilities” means \$15,000,000 expressed in 2004 dollars, which shall increase by the Construction Inflation Index on January 1, 2005, and on each January 1 thereafter, or such lower number as (i) shall be determined by the City as sufficient to provide the public facilities under the authorized bonding program for CFD No. 93-1, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes 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. 93-1.

“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 available to be funded through existing construction or escrow accounts or funded by the Outstanding Bonds, and minus public facility costs funded by interest earnings on the Construction Fund actually earned prior to the date of prepayment.

“Outstanding Bonds” means all previously issued bonds issued and secured by the levy of Special Tax for Facilities 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 the Maximum Special Tax for Facilities.

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property, an Assessor's Parcel of Final Map Property or Undeveloped Property for which a Building Permit has been issued or an Assessor's Parcel of Undeveloped Property that is classified as Undeveloped Property pursuant to Section J. may be prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Special Tax for Facilities obligation shall provide the City with written notice of intent to prepay, and within 5 days of receipt of such notice, the City shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 93-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the City shall notify such owner of the prepayment amount of such Assessor's Parcel.

The Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Taxes for Facilities and the Backup Special Taxes for Facilities applicable to the Assessor's Parcel. For Assessor's Parcels of Final Map Property or Undeveloped Property, excluding any Undeveloped Property pursuant to Section J., compute the Assigned Special Tax for Facilities and the Backup Special Tax for Facilities applicable to the Assessor's Parcel as though it was already designated as Developed Property based upon the

Building Permit issued or to be issued for that Assessor's Parcel. For Assessor's Parcels classified as Undeveloped Property pursuant to Section J., compute the Assigned Special Tax for Facilities.

2. For each Assessor's Parcel of Developed Property, Final Map Property or Undeveloped Property to be prepaid, (a) divide the Assigned Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Assigned Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City, and (b) divide the Backup Special Tax for Facilities computed pursuant to paragraph 1 for such Assessor's Parcel by the sum of the estimated Backup Special Tax for Facilities applicable to all Assessor's Parcels of Taxable Property at buildout, as reasonably determined by the City.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by Outstanding Bonds. The product shall be the "Bond Redemption Amount".
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the Future Facilities Cost.
6. Multiply the larger quotient computed pursuant to paragraph 2 (a) or 2 (b) by the amount determined pursuant to paragraph 5. to determine the Future Facilities Cost to be prepaid (the "Future Facilities Amount").
7. Compute the amount needed to pay interest on the Bond Redemption Amount to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the Outstanding Bonds.
8. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the Outstanding Bonds.
9. Subtract the amount computed pursuant to paragraph 8 from the amount computed pursuant to paragraph 7. This difference is the "Defeasance."
10. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
11. Calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, if the reserve fund requirement is satisfied by a surety bond or other instrument at the time of the prepayment, then no Reserve Fund Credit shall be given. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.
12. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to the Special Tax for Facilities obligation that is prepaid pursuant to this Section G, the City Council shall indicate in the records of CFD No. 93-1 that there has been a prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Special Tax for Facilities obligation and the release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Special Taxes for Facilities shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX FOR FACILITIES

The Special Tax for Facilities obligation of an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued and will be classified as Developed Property in the next Fiscal Year, as calculated in this Section H. below, may be partially prepaid, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Special Tax for Facilities obligation would be prepaid.

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount.
- P_G = the Prepayment Amount calculated according to Section G.
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Special Tax for Facilities obligation.

With respect to any Assessor's Parcel that is partially prepaid, the City Council shall indicate in the records of CFD No. 93-1 that there has been a partial prepayment of the Special Tax for Facilities obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Special Tax for Facilities obligation, to indicate the partial prepayment of the Special Tax for Facilities obligation and the partial release of the Special Tax for Facilities lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Special Tax for Facilities shall cease.

MANDATORY PARTIAL PREPAYMENT: Prior to the close of escrow for the first transfer of title of any Developed Parcel after the date on which a Certificate of Occupancy for such Parcel was issued by the City, the Maximum Special Tax shall be subject to mandatory partial prepayment in a amount necessary to bring the Total Property Tax Burden for the then-current Fiscal Year to an amount less than or equal to 2% of the sale price of the Parcel. The amount required shall be due and payable upon transfer of title. No prepayment shall be required if the Total Property Tax Burden is not in excess of the 2% limit. The Builder shall notify the City in writing of the mandatory partial repayment requirement at least 30 days prior to close of escrow. The City shall calculate and determine the prepayment amount using the methodology for a partial prepayment herein, such that the partial prepayment shall be in the exact percentage required for a Total Property Tax Burden not in excess of the 2% limit.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Special Tax for Facilities that may be levied on Taxable Property after such partial prepayment, net of Administrative

Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently Outstanding Bonds in each future Fiscal Year.

SECTION I TERMINATION OF SPECIAL TAX

For each Fiscal Year that any Bonds are outstanding the Special Tax for Facilities shall be levied on all Assessors' Parcels subject to the Special Tax for Facilities. If any delinquent Special Tax for Facilities remain uncollected prior to or after all Bonds are retired, the Special Tax for Facilities may be levied to the extent necessary to reimburse CFD No. 93-1 for uncollected Special Tax for Facilities associated with the levy of such Special Taxes for Facilities, but not later than the 2049-50 Fiscal Year. The Special Tax for Services shall be levied as long as it is needed to meet the Special Tax Requirement for Services, as determined at the sole discretion of the City Council.

SECTION J EXEMPTIONS

The City shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (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 used exclusively by a homeowners' association, or (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, provided that no such classification would reduce the sum of all Taxable Property to less than 68 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 68 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 68 Acres will continue to be classified as Undeveloped Property, and will continue to be subject to Special Taxes accordingly.

SECTION K APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the City Council not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 93-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 93-1 may collect the Special Tax at a different time or in a different manner if necessary to meet its financial obligations.