

RECORDING REQUESTED BY AND  
WHEN RECORDED, PLEASE RETURN TO:

J. René Bastian  
Clerk of the Board of Supervisors  
County of San Bernardino  
385 North Arrowhead Avenue, 2nd Floor  
San Bernardino, CA 92415-0130

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County of San Bernardino  
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SPACE ABOVE THIS LINE FOR RECORDER'S USE

**NOTICE OF SPECIAL TAX LIEN**

COMMUNITY FACILITIES DISTRICT NO. 2003-1  
(CITRUS PLAZA)  
COUNTY OF SAN BERNARDINO

Pursuant to the requirements of Section 3114.5 of the Streets and Highways Code and Section 53328.3 of the Government Code, the undersigned, as the Clerk of the Board of Supervisors of the County of San Bernardino (the "County"), hereby gives notice that a lien is hereby imposed upon the parcels listed in Exhibit A attached hereto to secure payment of a special tax which the Board of Supervisors of the County is authorized to levy. The special tax secured by this lien is authorized to be levied for the purpose of financing a portion of the cost and expense of certain authorized public capital facilities and facilities fees, including paying principal and interest on special tax bonds and the administrative expenses to be incurred by the County in the course of administering Community Facilities District No. 2003-1 (Citrus Plaza) ("CFD No. 2003-1").

The special tax is authorized to be levied within CFD No. 2003-1, which was formed by action of the Board of Supervisors and the approval of the qualified electors of CFD No. 2003-1 on March 25, 2003, and the lien of the special tax is a continuing lien which shall secure each 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 for CFD No. 2003-1, consisting of pages 1-11, inclusive, each dated March 4, 2003, is attached hereto as Exhibit B. The conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled and the procedures for calculating the amount required for prepayment of the special tax are set forth in Section H of Exhibit B.

Notice is further given that upon the recording of this notice in the office of the San Bernardino County Recorder, the obligation to pay the special tax levy shall become a lien

upon all nonexempt real property within CFD No. 2003-1 in accordance with Section 3115.5 of the Streets and Highways Code.

Reference is made to the Boundary Map of CFD No. 2003-1 (the "Boundary Map"), recorded on March 3, 2003, in the Book 75 of Maps of Assessment and Community Facilities Districts, at page 22, as Document No. 2003-0138040, in the office of the San Bernardino County Recorder. All of the property which is subject to this special tax lien is situated within the boundary of CFD No. 2003-1 as shown on the Boundary Map.

For further information concerning the current and estimated future special tax liability of owners or purchasers of real property within CFD No. 2003-1 and subject to this special tax lien, interested persons should contact the Special Districts Department, 157 West Fifth Street, Second Floor, San Bernardino, CA 92415, telephone (909) 387-5950.

DATED: March 26, 2003

J. RENEE BASTIAN  
Clerk of the Board of Supervisors

By: \_\_\_\_\_

A handwritten signature in cursive script, reading "J. Renee Bastian", is written over a horizontal line.

## EXHIBIT A

### List of Parcels Subject to the Special Tax

The following is the list of parcels, which, as of the date of recordation of this Notice of Special Tax Lien, are subject to the special tax obligation of CFD No. 2003-1. This list is subject to modification without recordation of any further instrument, in accordance with the terms and conditions of the Rate and Method of Apportionment, attached to this Notice of Special Tax Lien as Exhibit B.

The general location, exterior boundary of the listed parcels, and the specific designation of Parcel 15 as "Not a Part" of CFD No. 2003-1 are shown on the recorded Boundary Map referred to above on page 2 of this Notice of Special Tax Lien.

<u>Parcel Description</u>	<u>Owner</u>	<u>Acres</u>
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Parcels 2-14, 16-37, A and C-H, inclusive, as established by Parcel Map 14742, recorded on February 21, 2003, in the official records of the San Bernardino County Recorder:

Note: Parcel 1 is expressly EXEMPTED from the special tax obligation by the definition of the term "Exempt Developer Property," set forth in the Rate and Method of Apportionment, attached hereto as Exhibit B.

1.	Parcel 2	Redlands Joint Venture, LLC	3.84
2.	Parcel 3	Redlands Joint Venture, LLC	3.08
3.	Parcel 4	Redlands Joint Venture, LLC	2.49
4.	Parcel 5	Redlands Joint Venture, LLC	1.74
5.	Parcel 6	Redlands Joint Venture, LLC	3.19
6.	Parcel 7	Redlands Joint Venture, LLC	0.95
7.	Parcel 8	Redlands Joint Venture, LLC	1.09
8.	Parcel 9	Redlands Joint Venture, LLC	0.73
9.	Parcel 10	Redlands Joint Venture, LLC	0.41
10.	Parcel 11	Redlands Joint Venture, LLC	0.40
11.	Parcel 12	Redlands Joint Venture, LLC	0.39
12.	Parcel 13	Redlands Joint Venture, LLC	1.24
13.	Parcel 14	Redlands Joint Venture, LLC	1.03

Note: Parcel 15 is expressly EXCLUDED, as shown on the recorded Boundary Map referred to above on page 2 of this Notice of Special Tax Lien, and is not a part of CFD No. 2003-1.

14.	Parcel 16	Redlands Joint Venture, LLC	1.09
15.	Parcel 17	Redlands Joint Venture, LLC	3.07
16.	Parcel 18	Redlands Joint Venture, LLC	1.68
17.	Parcel 19	Redlands Joint Venture, LLC	0.24
18.	Parcel 20	Redlands Joint Venture, LLC	2.11

	<u>Parcel Description</u>	<u>Owner</u>	<u>Acres</u>
19.	Parcel 21	Redlands Joint Venture, LLC	1.82
20.	Parcel 22	Redlands Joint Venture, LLC	2.14
21.	Parcel 23	Redlands Joint Venture, LLC	2.22
22.	Parcel 24	Redlands Joint Venture, LLC	0.77
23.	Parcel 25	Redlands Joint Venture, LLC	1.16
24.	Parcel 26	Redlands Joint Venture, LLC	1.23
25.	Parcel 27	Redlands Joint Venture, LLC	0.91
26.	Parcel 28	Redlands Joint Venture, LLC	0.45
27.	Parcel 29	Redlands Joint Venture, LLC	2.04
28.	Parcel 30	Redlands Joint Venture, LLC	2.01
29.	Parcel 31	Redlands Joint Venture, LLC	0.36
30.	Parcel 32	Redlands Joint Venture, LLC	0.79
31.	Parcel 33	Redlands Joint Venture, LLC	0.75
32.	Parcel 34	Redlands Joint Venture, LLC	0.40
33.	Parcel 35	Redlands Joint Venture, LLC	0.82
34.	Parcel 36	Redlands Joint Venture, LLC	0.57
35.	Parcel 37	Redlands Joint Venture, LLC	0.64
36.	Parcel A	Redlands Joint Venture, LLC	2.46

Note: Parcel B is expressly EXEMPTED from the special tax obligation by the definition of the term "Exempt Developer Property," set forth in the Rate and Method of Apportionment, attached hereto as Exhibit B.

37.	Parcel C	Redlands Joint Venture, LLC	3.93
38.	Parcel D	Redlands Joint Venture, LLC	7.91
39.	Parcel E	Redlands Joint Venture, LLC	3.35
40.	Parcel F	Redlands Joint Venture, LLC	4.25
41.	Parcel G	Redlands Joint Venture, LLC	5.82
42.	Parcel H	Redlands Joint Venture, LLC	33.62

## EXHIBIT B

### RATE AND METHOD OF APPORTIONMENT FOR COUNTY OF SAN BERNARDINO COMMUNITY FACILITIES DISTRICT NO. 2003-1 (CITRUS PLAZA)

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in County of San Bernardino Community Facilities District No. 2003-1 (Citrus Plaza) ("CFD No. 2003-1") and collected each Fiscal Year commencing in Fiscal Year 2003-04, in an amount determined by the Board, through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 2003-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

#### 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. An Acre equals 43,560 square feet of land area.

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

**"Acquisition and Disclosure Agreement"** means the Acquisition and Disclosure Agreement for CFD No. 2003-1 that was approved by the Board, as it may be modified or supplemented from time to time.

**"Administrative Expenses"** means the following actual or reasonably estimated costs directly related to the administration of CFD No. 2003-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the County or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the County, CFD No. 2003-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2003-1 or any designee thereof of complying with County, CFD No. 2003-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2003-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the County's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the County or CFD No. 2003-1 for any other administrative purposes of CFD No. 2003-1,

including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure, or otherwise addressing the disposition of delinquent Special Taxes.

**"Assessor's Parcel"** means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

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

**"Assigned Special Tax "** means the Special Tax applicable to each Assessor's Parcel of Developed Property and Near Term Property, as determined in accordance with Section C.1.b. below.

**"Backup Special Tax "** means the Special Tax applicable to each Assessor's Parcel of Developed and Near Term Property, as determined in accordance with Section C.1.c. below.

**"Board"** means the Board of Supervisors of the County.

**"Bonds"** means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2003-1 under the Act.

**"CFD Administrator"** means the Director of the Special Districts Department of the County, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

**"CFD No. 2003-1"** means the County of San Bernardino Community Facilities District No. 2003-1 (Citrus Plaza).

**"Common Area Property"** means Parcel A, and Parcels C through H of Parcel Map No. 14742.

**"County"** means the County of San Bernardino.

**"Developed Property"** means, for each Fiscal Year, all Taxable Property, exclusive of Common Area Property and Public Property, for which a building permit for new construction was issued after January 1, 2001 and prior to March 1 of the prior Fiscal Year.

**"Exempt Developer Property"** means Parcel 1 and Parcel B of Parcel Map No. 14742, not to exceed 10.49 Acres.

**"Fiscal Year"** means the period starting July 1 and ending on the following June 30.

**"Indenture"** means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

**"Near Term Property"** means Parcels 2, 3, and Parcels 5 through 14 of Parcel Map No. 14742, excluding any such parcels for which a building permit was issued prior to March 1 of the prior Fiscal Year. At the time of the Second Bond Issue for CFD No. 2003-1, Parcels 16 through 37 of Parcel Map No. 14742, excluding any such parcel that has been previously classified as Developed Property, shall be reclassified as Near Term Property.

**"Maximum Special Tax "** means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel within CFD No. 2003-1.

**"Outstanding Bonds"** means all Bonds which are deemed to be outstanding under the Indenture.

**"Proportionately"** means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property. For Near Term Property, "Proportionately" means that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Near Term Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property.

**"Public Property"** means, for each Fiscal Year, any property within CFD No. 2003-1 that is owned by, irrevocably offered for dedication to, or dedicated to the federal government, the State, the County, or any other public agency as of June 30 of the prior Fiscal Year; 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 in accordance with its use. To ensure that property is classified as Public Property in the first Fiscal Year after it is acquired by, irrevocably offered for dedication to, or dedicated to a public agency, the property owner shall notify the CFD Administrator in writing of such acquisition, offer, or dedication not later than June 30 of the Fiscal Year in which the acquisition, offer, or dedication occurred.

**"Second Bond Issue"** means the second series of Bonds issued to finance facilities identified in the Acquisition and Disclosure Agreement. A series of Bonds that is issued solely to refund a prior series of Bonds shall not be considered a Second Bond Issue.

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

**"Special Tax Requirement"** means that amount required in any Fiscal Year for CFD No. 2003-1 to: (i) pay debt service in the calendar year commencing in such Fiscal Year on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 2003-1 facilities eligible under the Acquisition and Disclosure Agreement; and (vi) pay for reasonably anticipated Special Tax delinquencies based on the historical delinquency rate for CFD No. 2003-1 as determined by

the CFD Administrator; less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2003-1 which are not exempt from the Special Tax pursuant to law or Section E below.

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

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Common Area Property, Developed Property, Near Term Property, or Public Property.

**B. ASSIGNMENT TO LAND USE CATEGORIES**

Each Fiscal Year, all Taxable Property within CFD No. 2003-1 shall be classified as Common Area Property, Developed Property, Near Term Property, Public Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

**C. MAXIMUM SPECIAL TAX**

**1. DEVELOPED PROPERTY AND NEAR TERM PROPERTY**

**a. Maximum Special Tax**

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

**b. Assigned Special Tax**

The Fiscal Year 2003-04 Assigned Special Tax shall equal \$22,750 per Acre. On each July 1, commencing July 1, 2004 the Assigned Special Tax shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**c. Backup Special Tax**

The Fiscal Year 2003-04 Backup Special Tax shall equal \$25,728 per Acre. On each July 1, commencing July 1, 2004 the Backup Special Tax shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.



**2. UNDEVELOPED PROPERTY, COMMON AREA PROPERTY AND PUBLIC PROPERTY**

The Fiscal Year 2003-04 Maximum Special Tax for Undeveloped Property, Common Area Property and Public Property shall be \$25,728 per Acre. On each July 1, commencing July 1, 2004 the Maximum Special Tax shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

**3. MULTIPLE PROPERTY TYPES**

In some instances an Assessor's Parcel may contain more than one type of property (i.e., Developed Property, Near Term Property, Undeveloped Property, etc.). The Maximum Special Tax that can be levied on such an Assessor's Parcel shall be the sum of the Maximum Special Taxes for all types of property located on that Assessor's Parcel. The actual Special Tax to be levied on such Assessor's Parcel in any Fiscal Year shall be the sum of the amounts computed by following the method of apportionment in Section D, assuming that each type of property is located on a separate Assessor's Parcel. 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.

**D. APPORTIONMENT OF THE ANNUAL SPECIAL TAX**

Commencing with Fiscal Year 2003-04 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the Assigned Special Tax for Developed Property;

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

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

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Near Term Property shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax;

Sixth: If additional monies are needed to satisfy the Special Tax Requirement after the first five steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Common Area Property at up to the Maximum Special Tax for Common Area Property;

Seventh: If additional monies are needed to satisfy the Special Tax Requirement after the first six steps have been completed, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Public Property at up to the Maximum Special Tax for Public Property.

**E. EXEMPTIONS**

No Special Tax shall be levied on Exempt Developer Property.

There shall be no exemption for Public Property. Pursuant to Section 53317.3 of the Act, Public Property shall be subject to the levy of the Special Tax and shall be taxed as specified in Section D above, at up to 100% of the Maximum Special Tax for Public Property.

**F. APPEALS AND INTERPRETATIONS**

Any taxpayer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the 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 eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Board by filing a written notice of appeal with the clerk of the Board, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

**G. MANNER OF COLLECTION**

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2003-1 may directly bill the Special Tax, may collect the Special Tax 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.

## H. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section H:

**"CFD Public Facilities Costs"** means either \$10.02 million in 2003 dollars, which shall increase by the Construction Inflation Index on July 1, 2004, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 2003-1 as identified in the Acquisition and Disclosure Agreement, or (ii) shall be determined by the Board concurrently with a covenant that it will not issue any more Bonds to be supported by Special Tax levied under this Rate and Method of Apportionment as described in Section D.

**"Construction Fund"** means an account specifically identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

**"Construction Inflation Index"** means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

**"Future Facilities Costs"** means the CFD Public Facilities Costs minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance facilities costs.

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

**"Previously Issued Bonds"** means all Bonds that have been issued by CFD No. 2003-1 prior to the date of prepayment.

### 1. **Prepayment in Full**

The obligation of an Assessor's Parcel of Developed Property, Near Term Property, or Undeveloped Property to pay the Special Tax may be prepaid and 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 Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service, which fee may be collected prior to computation of the Prepayment Amount. Prepayment must

be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

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

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

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

**Paragraph No.:**

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property or Near Term Property, compute the Assigned Special Tax for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Assigned Special Tax for that Assessor's Parcel as though it was already designated as Developed Property.
3. Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for the entire CFD No. 2003-1 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of the CFD No. 2003-1, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.

7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 2003-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit ("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, 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 from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the construction fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2003-1.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of bonds or to make debt service payments.

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

## **2. Prepayment in Part**

The Special Tax on an Assessor's Parcel may be partially prepaid. The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of such owner's intent to partially prepay the Special Tax and the dollar amount of the Special Tax to be prepaid.

The prepayment shall be calculated as in Section H.1, except that the amount of the Special Tax to be prepaid shall be substituted for the Assigned Special Tax applicable to the Assessor's Parcel in Paragraph No. 2.

With respect to any Assessor's Parcel that is partially prepaid, the County shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 2003-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 2003-1 both prior to and after the proposed prepayment, less estimated Administrative Expenses, is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

**I. TERM OF SPECIAL TAX**

The Special Tax shall be levied for a period not to exceed fifty years commencing with Fiscal Year 2003-04.

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