

COUNTY OF SAN BERNARDINO
IMPROVEMENT AREA No. 6 OF
COMMUNITY FACILITIES DISTRICT
No. 2006-1
(LYTLE CREEK NORTH)

June 2, 2017

Public Finance
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**ADMINISTRATION REPORT
FISCAL YEAR 2017-2018**

**COUNTY OF SAN BERNARDINO
IMPROVEMENT AREA No. 6 OF COMMUNITY FACILITIES DISTRICT No. 2006-1
(LYTLE CREEK NORTH)**

PREPARED FOR

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PREPARED BY

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June 2, 2017

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EXHIBITS

- Exhibit A:** Boundary Map
- Exhibit B:** Rate and Method of Apportionment
- Exhibit C:** Special Tax Roll Fiscal Year 2017-2018

I. INTRODUCTION

This report presents the findings of the research and financial analysis performed by David Taussig & Associates, Inc. to determine the special tax requirement for Improvement Area No. 6 ("IA No. 6") of Community Facilities District No. 2006-1 (Lytle Creek North) ("CFD No. 2006-1") of the County of San Bernardino ("the County") for fiscal year 2017-2018.

CFD No. 2006-1 is a legally constituted governmental entity established under the Mello-Roos Community Facilities Act of 1982, (the "Act") as amended. The Act provides an alternative method for the financing of certain public facilities and services. Specifically, IA No. 6 of CFD No. 2006-1 is authorized to issue up to \$22,000,000 in bonds. Pursuant to the Rate and Method of Apportionment for IA No. 6 ("RMA"), the special tax shall be until the earlier of (i) fiscal year 2057-2058 or (ii) five years after the latest scheduled maturity of all the Bonds. The RMA is included in Exhibit B.

At the time of formation, CFD No. 2006-1 included two improvement areas: Improvement Area No. 1 ("IA No. 1") and Improvement Area M ("IA M"). In 2017, certain property was annexed into CFD No. 2006-1 ("Annexation No. 1"). In addition, certain property within IA M and all of Annexation No. 1 was designated as IA No. 6. IA No. 6 includes two zones, called "Zone A" and "Zone B." A map showing the property in IA No. 6 is included in Exhibit A.

In calculating the special tax liability for fiscal year 2017-2018, this report examines the financial obligations of the current fiscal year and analyzes the level of development within IA No. 6.

This report is organized into the following sections:

Section II

Section II provides an update of the development activity occurring within IA No. 6.

Section III

Section III determines the financial obligations of IA No. 6 for fiscal year 2017-2018.

Section IV

Section IV reviews the methodology used to apportion the special tax requirement to Developed Property and Undeveloped Property. A table of the 2017-2018 special tax rates for Developed Property and Undeveloped Property is included.

II. SPECIAL TAX CLASSIFICATIONS AND DEVELOPMENT UPDATE

Special Tax Classifications

The methodology employed to calculate and apportion the special tax is contained in a document entitled the Rate and Method of Apportionment. The Rate and Method of Apportionment defines two primary categories of property, namely “Developed Property” and “Undeveloped Property.” For both Zone A and Zone B of IA No. 6, the category of Developed Property is in turn divided into separate special tax classifications, seventeen for Zone A and ten for Zone B, which vary with dwelling unit size for residential development and acreage for non-residential development.

Developed Property is distinguished from Undeveloped Property by the issuance of a building permit. Specifically, property for which a building permit was issued prior to March 1 of the previous fiscal year and that is within a final map that was recorded as of January 1 of the previous fiscal year will be classified as Developed Property in the following fiscal year. For example, all property in IA No. 6 for which a building permit was issued prior to March 1, 2017 and that is within a final map that was recorded as of January 1, 2017, will be classified as Developed Property in fiscal year 2017-2018.

Development Update

Review of the County of San Bernardino’s building permit records indicated that new building permits were issued for 20 units of residential property within Zone A and 40 units of residential property within Zone B of IA No. 6 between March 1, 2016 and February 28, 2017. Prior to March 1, 2017, the County of San Bernardino had issued building permits for 32 units of residential property within Zone A and 40 units of residential property within Zone B of IA No. 6. A total of 58.40 acres in Zone A and 21.22 acres in Zone B of IA No. 6 are considered Undeveloped Property. In addition, three tract maps had been recorded as of January 1, 2017, and there is a total of 46.88 acres of unmapped property in IA No. 6. The tables below indicate tract maps recorded as of January 1, 2017 and the current amount of Developed Property and Undeveloped Property within IA No. 6.

Table II-1
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Tract Maps Recorded as of January 1, 2017

Tract Map No.	Zone	Number of Taxable Lots	Date of Recordation
16845-1	A	21 units	November 2012
16845	A	97 units	December 2016
18805	B	152 units	December 2016
Total	NA	270 units	NA

**Table II-2
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Developed Property and Undeveloped Property
Zone A**

Land Use Class	Description	Residential Floor Area	Number of Units/Acres
1	Residential Property	> 4,250 s.f.	0 units
2	Residential Property	4,051 to 4,250 s.f.	1 units
3	Residential Property	3,851 to 4,050 s.f.	0 units
4	Residential Property	3,651 to 3,850 s.f.	0 units
5	Residential Property	3,451 to 3,650 s.f.	1 units
6	Residential Property	3,251 to 3,450 s.f.	0 units
7	Residential Property	3,051 to 3,250 s.f.	0 units
8	Residential Property	2,851 to 3,050 s.f.	2 units
9	Residential Property	2,651 to 2,850 s.f.	1 units
10	Residential Property	2,451 to 2,650 s.f.	8 units
11	Residential Property	2,251 to 2,450 s.f.	9 units
12	Residential Property	2,051 to 2,250 s.f.	1 units
13	Residential Property	1,851 to 2,050 s.f.	7 units
14	Residential Property	1,651 to 1,850 s.f.	1 units
15	Residential Property	1,451 to 1,650 s.f.	1 units
16	Residential Property	< 1,451 s.f.	0 units
17	Non-Residential Property	NA	0.00 acres
NA	Undeveloped Property	NA	58.40 acres

**Table II-3
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Developed Property and Undeveloped Property
Zone B**

Land Use Class	Description	Residential Floor Area	Number of Units/Acres
1	Residential Property	> 3,250 s.f.	2 units
2	Residential Property	3,051 to 3,250 s.f.	9 units
3	Residential Property	2,851 to 3,050 s.f.	4 units
4	Residential Property	2,651 to 2,850 s.f.	7 units
5	Residential Property	2,451 to 2,650 s.f.	3 units
6	Residential Property	2,251 to 2,450 s.f.	9 units
7	Residential Property	2,051 to 2,250 s.f.	0 units
8	Residential Property	1,851 to 2,050 s.f.	6 units
9	Residential Property	< 1,851 s.f.	0 units
10	Non-Residential Property	NA	0.00 acres
NA	Undeveloped Property	NA	21.22 acres

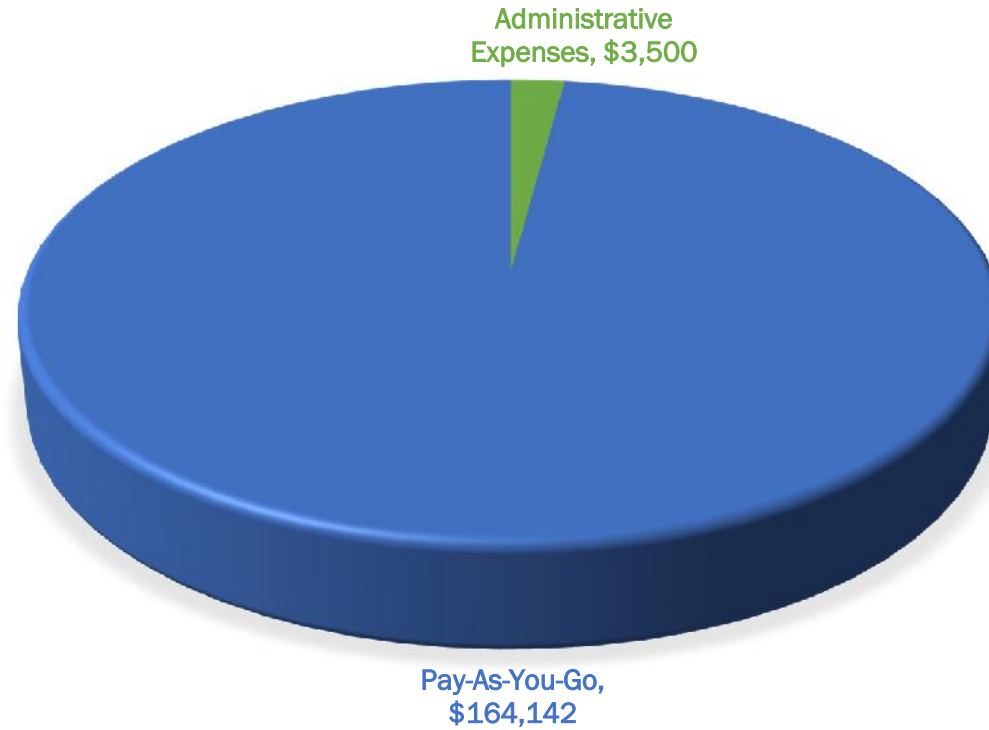
III. FISCAL YEAR 2017-2018 SPECIAL TAX REQUIREMENT

Since bonds have not yet been issued for IA No. 6, the Assigned Special Tax can be levied on Developed Property to pay for the direct construction or acquisition of facilities eligible to be financed by IA No. 6 and annual administrative expenses as provided for by the RMA for IA No. 6. Fiscal year 2017-2018 is the first year in which special taxes will be levied on property in IA No. 6.

Therefore, the total amount of special taxes from Developed Property for fiscal year 2017-2018 is equal to \$164,142 of which \$160,642 is budgeted for the direct acquisition or construction of County facilities, and \$3,500 is budgeted for annual administrative expenses.

The components of the fiscal year 2017-2018 gross special tax requirement are shown graphically on the following page.

County of San Bernardino
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Fiscal Year 2017-2018 Special Tax Requirement



Total Fiscal Year 2017-2018 Special Tax Requirement: \$164,142

IV. METHOD OF APPORTIONMENT

Maximum Special Tax Rates

The amount of special taxes that IA No. 6 may levy is strictly limited by the maximum rates set forth in Section C of the Rate and Method of Apportionment.¹

The fiscal year 2017-2018 maximum special tax rates for Developed Property are shown in the tables on the following page. The maximum special tax rates do not escalate.

Apportionment of Special Taxes

The special tax that is apportioned to each parcel is determined through the application of Section E of the Rate and Method of Apportionment. The Board of Supervisors shall first determine the special tax requirement. Section E apportions the special tax requirement in four steps that prioritize the order in which Developed Property and Undeveloped Property are taxed.

The first step states that the special tax shall be levied against each parcel of Developed Property at up to 100% of the applicable Assigned Special Tax until the amount of the special taxes equals the special tax requirement. If the special taxes raised pursuant to the first step are less than the special tax requirement, then the second step is applied. The second step states that the special tax shall be levied against each parcel of Undeveloped Property at up to 100 percent of the maximum special tax for Undeveloped Property.

The third and fourth steps are designed to accommodate changes in land use and are intended to be used only as a last resort. Since actual land uses have not substantially deviated from the original projections, these steps are not necessary.

Application of the first step generates special tax revenues of \$164,142 from Developed Property.

The fiscal year 2017-2018 maximum and actual special tax rates are shown for Developed Property in the following table. The Special Tax Roll, which lists the actual special tax levied against each parcel, is shown in Exhibit C.

¹ Technically, Section C states that the maximum special tax for a parcel of Developed Property is equal to the greater of (i) the "Backup Special Tax" or (ii) the Assigned Special Tax. The Backup Special Tax was established for the contingency of a shortfall in revenues resulting from significant changes in development densities. The contingency for which the Backup Special Tax was established does not exist and hence, all discussion of maximum tax rates for Developed Property focuses on the Assigned Special Tax.

Table IV-1
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Maximum and Actual Special Taxes
Zone A

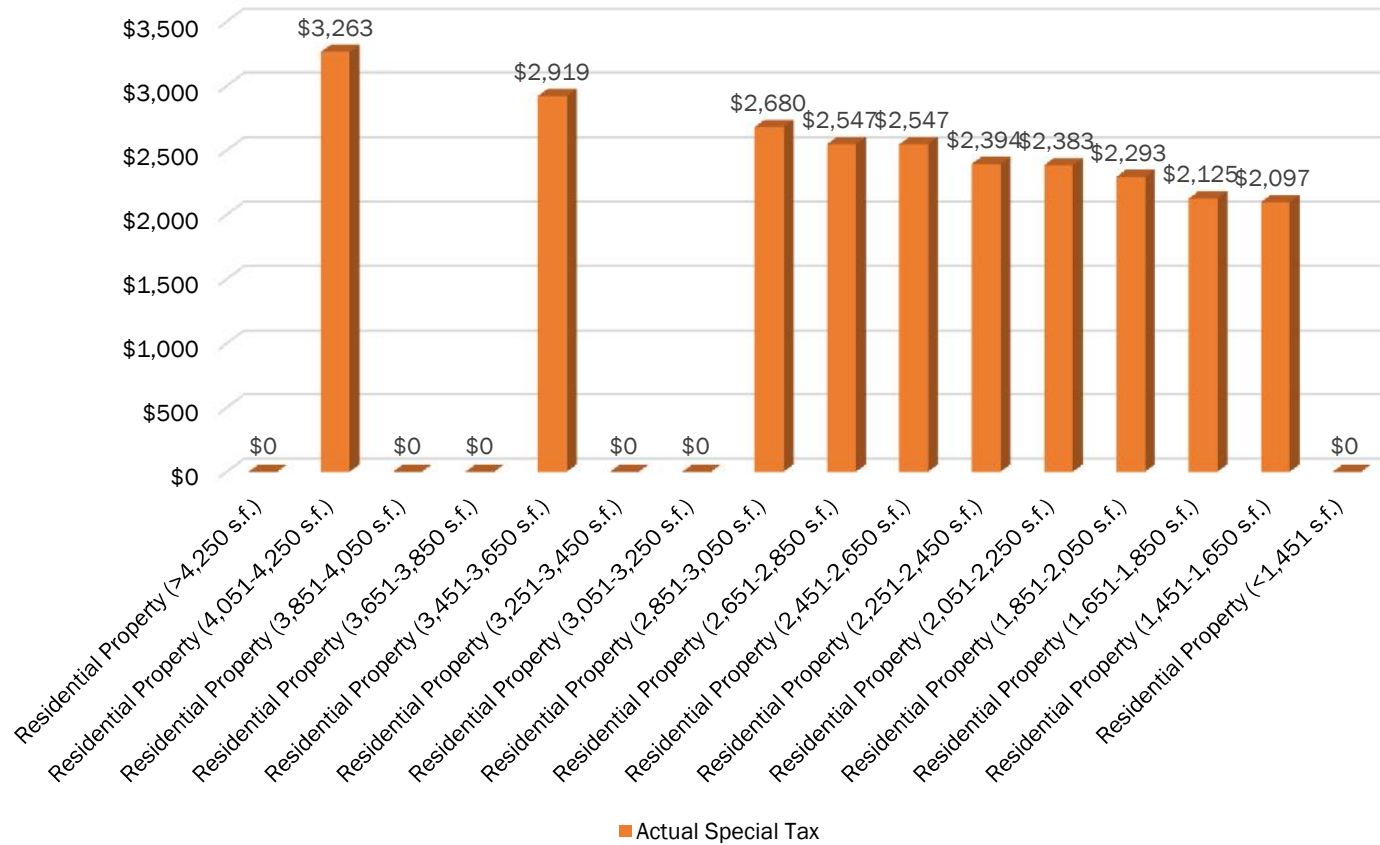
Land Use Class	Description	Residential Floor Area	Maximum Special Tax	FY 2017-2018 Actual Special Tax
1	Residential Property	> 4,250 s.f.	\$3,306.00 per unit	\$0.00 per unit
2	Residential Property	4,051 to 4,250 s.f.	\$3,263.00 per unit	\$3,263.00 per unit
3	Residential Property	3,851 to 4,050 s.f.	\$3,110.00 per unit	\$0.00 per unit
4	Residential Property	3,651 to 3,850 s.f.	\$3,006.00 per unit	\$0.00 per unit
5	Residential Property	3,451 to 3,650 s.f.	\$2,919.00 per unit	\$2,919.00 per unit
6	Residential Property	3,251 to 3,450 s.f.	\$2,818.00 per unit	\$0.00 per unit
7	Residential Property	3,051 to 3,250 s.f.	\$2,748.00 per unit	\$0.00 per unit
8	Residential Property	2,851 to 3,050 s.f.	\$2,680.00 per unit	\$2,680.00 per unit
9	Residential Property	2,651 to 2,850 s.f.	\$2,547.00 per unit	\$2,547.00 per unit
10	Residential Property	2,451 to 2,650 s.f.	\$2,547.00 per unit	\$2,547.00 per unit
11	Residential Property	2,251 to 2,450 s.f.	\$2,394.00 per unit	\$2,394.00 per unit
12	Residential Property	2,051 to 2,250 s.f.	\$2,383.00 per unit	\$2,383.00 per unit
13	Residential Property	1,851 to 2,050 s.f.	\$2,293.00 per unit	\$2,293.00 per unit
14	Residential Property	1,651 to 1,850 s.f.	\$2,125.00 per unit	\$2,125.00 per unit
15	Residential Property	1,451 to 1,650 s.f.	\$2,097.00 per unit	\$2,097.00 per unit
16	Residential Property	< 1,451 s.f.	\$1,931.00 per unit	\$0.00 per unit
17	Non-Residential Property	NA	\$18,098.00 per Acre	\$0.00 per acre

**Table IV-2
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Maximum and Actual Special Taxes
Zone B**

Land Use Class	Description	Residential Floor Area	Maximum Special Tax	FY 2017-2018 Actual Special Tax
1	Residential Property	> 3,250 s.f.	\$2,431.00 per unit	\$2,431.00 per unit
2	Residential Property	3,051 to 3,250 s.f.	\$2,325.00 per unit	\$2,325.00 per unit
3	Residential Property	2,851 to 3,050 s.f.	\$2,210.00 per unit	\$2,210.00 per unit
4	Residential Property	2,651 to 2,850 s.f.	\$2,095.00 per unit	\$2,095.00 per unit
5	Residential Property	2,451 to 2,650 s.f.	\$2,095.00 per unit	\$2,095.00 per unit
6	Residential Property	2,251 to 2,450 s.f.	\$2,038.00 per unit	\$2,038.00 per unit
7	Residential Property	2,051 to 2,250 s.f.	\$1,983.00 per unit	\$0.00 per unit
8	Residential Property	1,851 to 2,050 s.f.	\$1,926.00 per unit	\$1,926.00 per unit
9	Residential Property	< 1,851 s.f.	\$1,891.00 per unit	\$0.00 per unit
10	Non-Residential Property	NA	\$11,975.00 per Acre	\$0.00 per acre

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County of San Bernardino
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Fiscal Year 2017-2018 Actual Special Tax Rates
Developed Residential Property
Zone A



County of San Bernardino
Improvement Area No. 6 of Community Facilities District No. 2006-1
(Lytle Creek North)
Fiscal Year 2017-2018 Actual Special Tax Rates
Developed Residential Property
Zone B

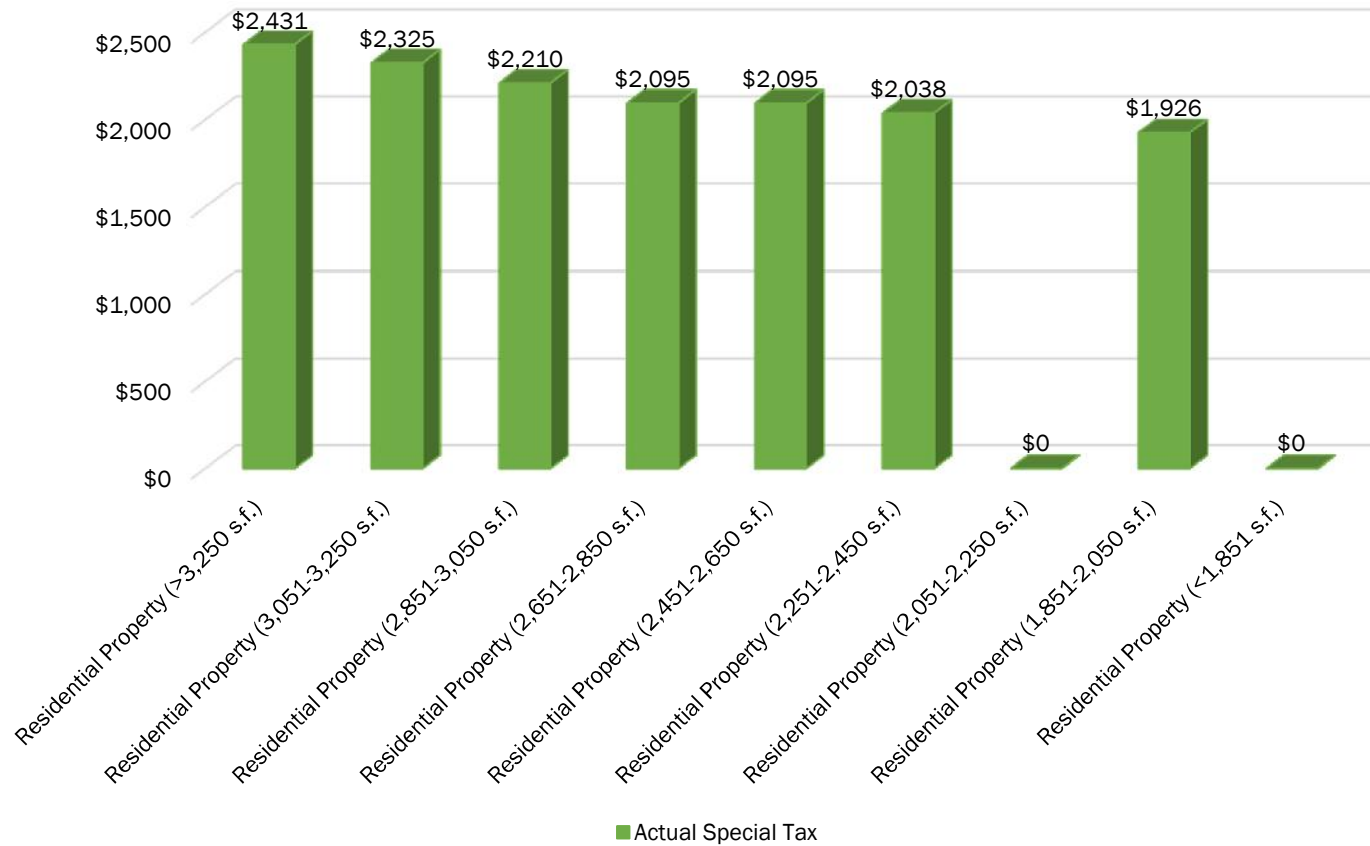
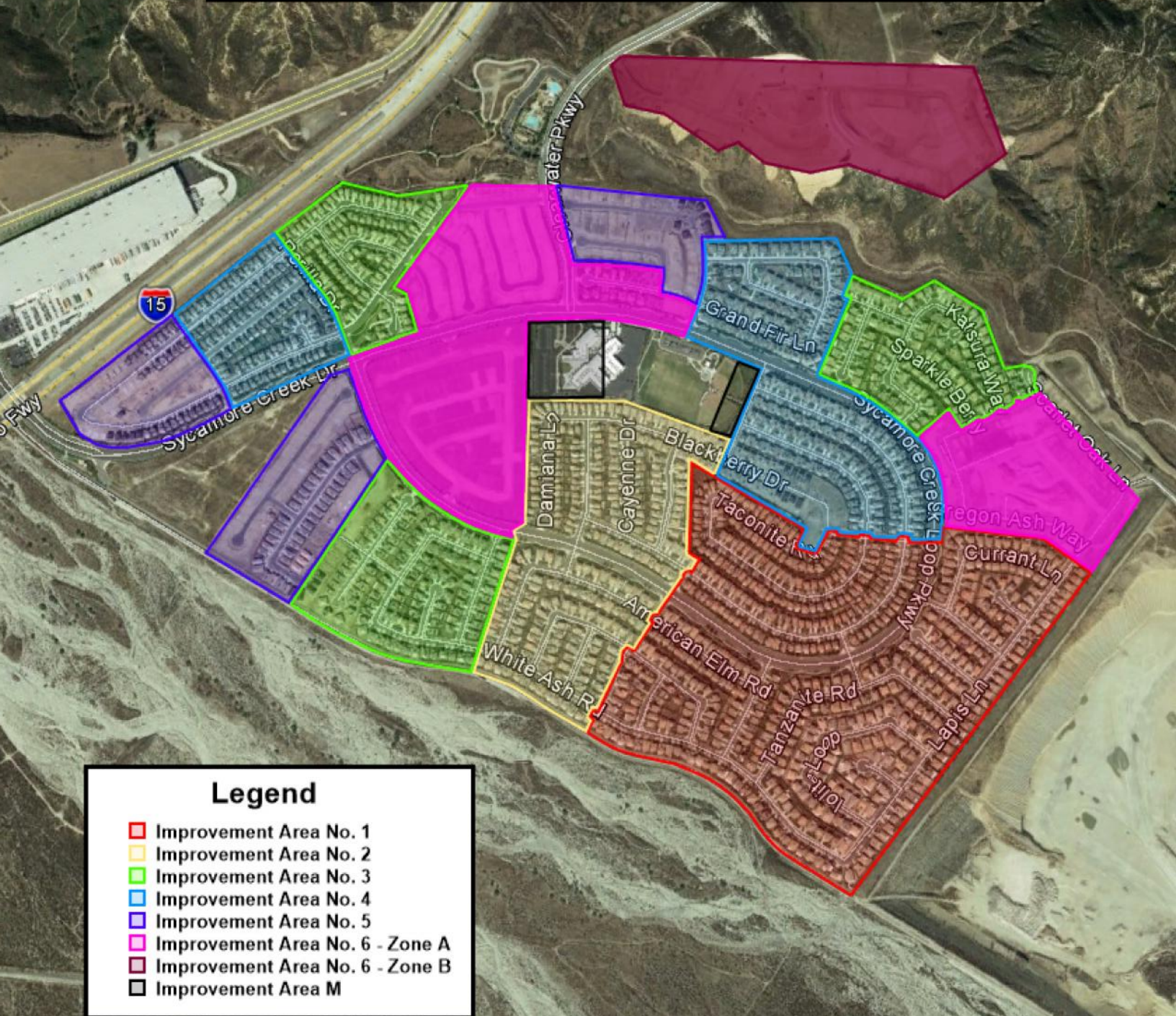


EXHIBIT A

*County of San Bernardino
Improvement Area No. 6 of
Community Facilities District No. 2006-1*

Boundary Map

**County of San Bernardino
Community Facilities District No. 2006-1
(Lytle Creek North)
Improvement Area No. 6**



- Legend**
- Improvement Area No. 1
 - Improvement Area No. 2
 - Improvement Area No. 3
 - Improvement Area No. 4
 - Improvement Area No. 5
 - Improvement Area No. 6 - Zone A
 - Improvement Area No. 6 - Zone B
 - Improvement Area M

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Imagery Date: 10/21/2016

EXHIBIT B

*County of San Bernardino
Improvement Area No. 6 of
Community Facilities District No. 2006-1*

Rate and Method of Apportionment

**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA NO. 6 OF
COUNTY OF SAN BERNARDINO
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(LYTLE CREEK NORTH)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 6 ("IA No. 6") of County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North) ("CFD No. 2006-1") and collected each Fiscal Year commencing in Fiscal Year 2017-2018, 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 IA No. 6, 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.

"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.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of IA No. 6: 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. 2006-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2006-1 or any designee thereof of complying with County, IA No. 6 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. 2006-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; the costs associated with the Special Tax reduction described in Section D; the costs associated with the issuance of Bonds; 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. 2006-1 for any other administrative purposes of IA No. 6, 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 any real property to which an Assessor's parcel number is assigned as shown on an Assessor's Parcel Map.

"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 for each Land Use Class of Developed Property within IA No. 6, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property within IA No. 6, as determined in accordance with Section 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. 2006-1 for IA No. 6 under the Act.

"Building Permit" means, with respect to an Assessor's Parcel, the first building permit for new construction of a structure thereon issued after January 1, 2006, regardless of whether such building permit, after its date of issuance, expires or is terminated or withdrawn; provided, however, that if, after the date of issuance of such a building permit for a residential dwelling unit on such Assessor's Parcel (a) such building permit expires or is terminated or withdrawn and (b) a new building permit for the same Assessor's Parcel is subsequently issued for an amount of Residential Floor Area that would cause such Assessor's Parcel to be in a lower numerical Land Use Class than its then current Land Use Class, then, from and after the date of such subsequently issued building permit, "Building Permit," with respect to such Assessor's Parcel, shall mean such subsequently issued building permit. Building Permit shall not include any building permit issued for an addition to, or the remodel or reconstruction of, any previously constructed structure. Notwithstanding the foregoing, to the extent that building permit(s) for additions or options are issued to the original builder of a residential dwelling unit during the period between the issuance of the first building permit and the issuance of a certificate of occupancy for such residential dwelling unit for an amount of Residential Floor Area that would cause such Assessor's Parcel to be in a lower numerical Land Use Class than its then current Land Use Class, then, from and after the date of such subsequently issued building permit(s), "Building Permit," with respect to such Assessor's Parcel, shall mean both the original and such subsequently issued building permit(s).

"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. 2006-1" means the County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North).

"County" means the County of San Bernardino.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Other Taxable Property, (i) for which a Building Permit was issued prior to March 1 of the prior Fiscal Year, and (ii) that is located within a Final Map that was recorded as of January 1 of the prior Fiscal Year.

"Final Map" means (i) a final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual lots or parcels for which building permits may be issued without further subdivision, or (ii) for condominiums, a final map approved by the County and a condominium plan recorded pursuant to California Civil Code Section 1352 creating such individual lots or parcels.

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

"Improvement Area No. 6" or "IA No. 6" means Improvement Area No. 6 of CFD No. 2006-1.

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

"Independent Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2006-1 that (a) has substantial experience in performing price point studies for residential units within community facilities districts or otherwise estimating or confirming pricing for residential units in 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 in fact independent and not under the control of CFD No. 2006-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2006-1, (ii) the County, (iii) any owner of real property in CFD No. 2006-1, or (iv) any real property in CFD No. 2006-1, and (e) is not connected with CFD No. 2006-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2006-1 or the County.

"Land Use Class" means any of the classes listed in Tables 1 and 2 below.

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C and Section D below, that can be levied in any Fiscal Year on any Assessor's Parcel within IA No. 6.

"Non-Residential Property" means Developed Property for which a Building Permit(s) was issued for a non-residential use.

"Other Taxable Property" means Taxable Public Property and Taxable Property Owner Association Property.

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

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

"Plan Type" means, for each Zone, a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., single family, multi-family, senior) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within IA No. 6 as identified in the Price Point Study.

"Price Point" means, with respect to the residential dwelling units in each Plan Type, as of any date, the minimum base price of such residential dwelling units, estimated 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 and lot size.

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by an Independent Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 6, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Independent 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 60 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Section D herein.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of IA No. 6 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

"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, except to the extent that the Special Tax levy on Residential Property is limited as described in the first step in Section E below. 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. For Other Taxable 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 Other Taxable Property.

"Public Property" means, for each Fiscal Year, any property within IA No. 6 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.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential dwelling unit, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The CFD Administrator shall determine the Residential Floor Area based upon the Building Permit(s) issued for such residential dwelling unit.

"Residential Property" means Developed Property for which a Building Permit has been issued for purposes of constructing one or more residential dwelling units.

"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 A" or **"Special Tax B"** or **"Special Tax C"** means the maximum special tax A, maximum special tax B, or maximum special tax C, as applicable, that may be levied for annual services as described in the rate and method of apportionment for CFD No. 2006-1.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay debt service 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 the acquisition or construction of facilities authorized to be financed by IA No. 6 to the extent that inclusion of such amount does not increase the Special Tax levy on Undeveloped Property; and (vi) pay for reasonably anticipated Special Tax delinquencies based on the historical delinquency rate for IA No. 6 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 IA No. 6 which are not exempt from the Special Tax pursuant to law or Section F below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section F below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section F below.

"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, for the Fiscal Year in which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax, Special Tax A and Special Tax B, and only if Special Tax C is levied in such Fiscal Year, Special Tax C, 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 dwelling units of such Plan Type in such Fiscal Year or that would have been levied or imposed on all such residential dwelling units had such residential dwelling units been completed, sold and subject to such levies and impositions in such Fiscal Year divided by (b) the number of residential dwelling units in such Plan Type. The Total Tax and Assessment Obligation for each Plan Type shall be calculated based on the applicable Residential Floor Area, Price Point, and number of constructed and expected residential dwelling units for such Plan Type as identified in the Price Point Study.

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

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Other Taxable Property.

"Zone" means Zone A and/or Zone B, as applicable.

"Zone A" means Zone A of IA No. 6, as identified on the boundary map for IA No. 6 included as Exhibit A.

"Zone B" means Zone B of IA No. 6, as identified on the boundary map for IA No. 6 included as Exhibit A.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within IA No. 6 shall be classified as Developed Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C through E below. Developed Property shall be further classified as Residential Property or Non-Residential Property.

C. MAXIMUM SPECIAL TAX

1. Developed Property

Residential Property in Zone A shall be assigned to Land Use Classes 1 through 16 of Table 1 below, and Non-Residential Property in Zone A shall be assigned to Land Use Class 17 of Table 1 below. Residential Property in Zone B shall be assigned to Land Use Class 1 through 9 of Table 2 below, and Non-Residential Property in Zone B shall be assigned to Land Use Class 10 of Table 2 below. The Assigned Special Tax for Residential Property shall be based on the Residential Floor Area of the

dwelling unit(s) located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

(a) Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed 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.

The Maximum Special Tax (including the Assigned Special Taxes and the Backup Special Tax set forth in Sections C.1.(b), C.1.(c) and C.1.(d) below) may be reduced in accordance with, and subject to the conditions set forth in, Section D below.

(b) Assigned Special Tax – Zone A

The Assigned Special Tax for each Land Use Class within Zone A is shown below in Table 1.

TABLE 1
Assigned Special Tax for Developed Property in
Zone A

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 4,250 s.f.	\$3,306 per unit
2	Residential Property	4,051 – 4,250 s.f.	\$3,263 per unit
3	Residential Property	3,851 – 4,050 s.f.	\$3,110 per unit
4	Residential Property	3,651 – 3,850 s.f.	\$3,006 per unit
5	Residential Property	3,451 – 3,650 s.f.	\$2,919 per unit
6	Residential Property	3,251 – 3,450 s.f.	\$2,818 per unit
7	Residential Property	3,051 – 3,250 s.f.	\$2,748 per unit
8	Residential Property	2,851 – 3,050 s.f.	\$2,680 per unit
9	Residential Property	2,651 – 2,850 s.f.	\$2,547 per unit
10	Residential Property	2,451 – 2,650 s.f.	\$2,547 per unit
11	Residential Property	2,251 – 2,450 s.f.	\$2,394 per unit
12	Residential Property	2,051 – 2,250 s.f.	\$2,383 per unit
13	Residential Property	1,851 – 2,050 s.f.	\$2,293 per unit
14	Residential Property	1,651 – 1,850 s.f.	\$2,125 per unit
15	Residential Property	1,451 – 1,650 s.f.	\$2,097 per unit
16	Residential Property	< 1,451 s.f.	\$1,931 per unit
17	Non-Residential Property	NA	\$18,098 per Acre

(c) **Assigned Special Tax – Zone B**

The Assigned Special Tax for each Land Use Class within Zone B is shown below in Table 2.

TABLE 2
Assigned Special Tax for Developed Property in Zone B

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 3,250 s.f.	\$2,431 per unit
2	Residential Property	3,051 – 3,250 s.f.	\$2,325 per unit
3	Residential Property	2,851 – 3,050 s.f.	\$2,210 per unit
4	Residential Property	2,651 – 2,850 s.f.	\$2,095 per unit
5	Residential Property	2,451 – 2,650 s.f.	\$2,095 per unit
6	Residential Property	2,251 – 2,450 s.f.	\$2,038 per unit
7	Residential Property	2,051 – 2,250 s.f.	\$1,983 per unit
8	Residential Property	1,851 – 2,050 s.f.	\$1,926 per unit
9	Residential Property	< 1,851 s.f.	\$1,891 per unit
10	Non-Residential Property	NA	\$11,975 per Acre

(d) **Backup Special Tax**

The Backup Special Tax for an Assessor's Parcel of Developed Property will equal the amount indicated in Table 3 below for the applicable Zone.

TABLE 3
Backup Special Tax for Final Maps in Zone A and Zone B

Zone	Backup Special Tax
A	\$18,098 per Acre
B	\$11,975 per Acre

2. Undeveloped Property and Other Taxable Property

The Maximum Special Tax for Undeveloped Property and Other Taxable Property will equal the amount indicated in Table 4 below for the applicable Zone.

TABLE 4
Undeveloped Property and Other
Taxable Property in
Zone A and Zone B

Zone	Maximum Special Tax
A	\$18,098 per Acre
B	\$11,975 per Acre

3. Multiple Land Uses

In some instances an Assessor's Parcel may contain both Undeveloped Property and Developed Property. Furthermore, Developed Property may contain more than one Land Use Class.

In such cases, the Acreage of the Assessor's Parcel shall be allocated between Developed Property and Undeveloped Property based the portion of the Assessor's Parcel for which Building Permits had been issued prior to March 1 of the prior Fiscal Year and portion of the Assessor's Parcel for which Building Permits had not been issued prior to March 1 of the prior Fiscal Year. The Acreage that is considered Developed Property shall be allocated between Residential Property and Non-Residential Property based on the site plan. The Maximum Special Tax that can be levied on such Assessor's Parcel shall be the sum of the Maximum Special Tax that can be levied on each type of property located on such Assessor's Parcel.

The CFD Administrator's allocation to each type of property shall be final.

D. SPECIAL TAX REDUCTION

Prior to the issuance of the first series of Bonds, the following steps shall be taken:

Step No.:

1. At least 30 days prior to the expected issuance date of the first series of Bonds, CFD No. 2006-1 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 Effective Tax Rate for each Plan Type.
3. Separately, for each Land Use Class, the CFD Administrator shall determine whether or not the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 1.95%.

- a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class is less than or equal to 1.95%, then there shall be no change in the Assigned Special Tax for such Land Use Class.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class is greater than 1.95%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class, which revised Assigned Special Tax 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 Class to exceed 1.95%.
 - c. If the revised Assigned Special Tax amounts result in a situation in which the Assigned Special Tax for a particular Land Use Class of Residential Property would be less than the Assigned Special Tax for the numerical Land Use Class of Residential Property directly above it (i.e., the Assigned Special Tax for Land Use Class 1 is less than the Assigned Special Tax for Land Use Class 2), then the Assigned Special Tax for the lower numbered Land Use Class shall be revised to be equal to the Assigned Special Tax for the higher numbered Land Use Class (i.e., the Assigned Special Tax for Land Use Class 1 shall be revised to be equal to the Assigned Special Tax for Land Use Class 2.)
4. If the Assigned Special Tax for any Land Use Class in a Zone is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall calculate a revised Backup Special Tax for all property within such Zone. The revised Backup Special Tax for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax for such Zone as set forth in Section C.1.(d), reduced by a percentage equal to the weighted average percentage reduction in the Assigned Special Taxes for all Land Use Classes of Residential Property in such Zone resulting from the calculations in steps 3.a. through 3.c. 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 Class in such Zone multiplied by the percentage change in the Assigned Special Tax (pursuant to step 3.b. or 3.c. above) for each Land Use Class in such Zone (or 0 for Land Use Classes that are not changing). This amount is then divided by the total number of units constructed or expected to be constructed within the Zone and converted to a percentage.
 5. If the Assigned Special Tax for any Land Use Class is revised pursuant to step 3.b. or 3.c. above, the CFD Administrator shall prepare and execute a Certificate of Reduction in Special Taxes substantially in the form of Exhibit B hereto and shall deliver such Certificate of Reduction in Special Taxes to CFD No. 2006-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class as calculated pursuant to step 3.b. or 3.c. above, or (ii) the Assigned Special Tax as identified in Table 1 or Table 2 in Section C for a Land Use Class that was not revised as determined pursuant to step 3.a.; as well as either (i) the revised Backup Special Tax for a Zone as calculated pursuant to step 4, or (ii) the Backup

Special Tax as identified in Table 3 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.

6. If the first series of Bonds is issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2006-1 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the date of such issuance, and, upon the issuance of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall, *ipso facto*, be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the first series of Bonds is not issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2006-1 and shall, as of such date, be void and of no further force and effect. In such case, if subsequently, a first series of Bonds is expected to be issued, at least 30 days prior to the expected issuance date 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. 2006-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2006-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 6 reflecting the Assigned Special Taxes and the Backup Special Tax for each Zone set forth in such Certificate of Reduction in Special Taxes.
8. If the Assigned Special Tax is not required to be changed for any Land Use Class based on the calculations performed under step 3 above, there shall be no reduction in the Maximum Special Tax, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2006-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the date of the issuance of the first series of Bonds that states that the calculations required pursuant to this Section D have been made and that no changes to the Maximum Special Tax are necessary.
9. CFD No. 2006-1 and the CFD Administrator shall take no further actions under this Section D upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2006-1 on a Certificate of Reduction in Special Taxes pursuant to step 6; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8.

E. APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2017-2018 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. Notwithstanding the foregoing, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within IA No. 6 by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on each Assessor's Parcel of Non-Residential Property shall continue in equal percentages at up to 100% of the Assigned Special Tax;

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 Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel. Notwithstanding the foregoing, under no circumstances will the Special Tax levied in any Fiscal Year against any Assessor's Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within IA No. 6 by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax on each Assessor's Parcel of Non-Residential Property shall continue in equal percentages from the Assigned Special Tax up to the Maximum Special Tax;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property at up to the Maximum Special Tax for Other Taxable Property.

F. EXEMPTIONS

No Special Taxes shall be levied on Property Owner Association Property and Public Property, so long as the Acreage of Taxable Property is at least 52.30 Acres within Zone A and 27.61 Acres within Zone B. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property, its tax-exempt status will be revoked.

To the extent that the exemption of an Assessor's Parcel of Property Owner Association Property or Public Property would reduce the Acreage of Taxable Property below 52.30 Acres in Zone A or 27.61 Acres in Zone B, such Assessor's Parcel shall be classified as Taxable Property Owner Association Property or Taxable Public Property, as applicable, and shall be subject to the levy of the Special Tax and shall be taxed as part of the fourth step in Section E above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

G. 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.

Interpretations may be made by the Board by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

H. 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. 2006-1 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.

I. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section I:

"CFD Public Facilities" means either \$16.0 million in 2017 dollars, which shall increase by the Construction Inflation Index on July 1, 2018, 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. 2006-1 on behalf of IA No. 6 under the authorized bonding program for IA No. 6, 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 E.

"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 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. 2006-1 for IA No. 6 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property or Undeveloped Property for which a Building Permit has been issued, and 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. 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
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, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a Building Permit has been issued) to be prepaid, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Tax for the entire IA No. 6 based on the Developed Property Special Tax which could be charged in the current Fiscal Year on all expected development at buildout of IA No. 6, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the estimated total Backup Special Tax at buildout of IA No. 6, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) 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 larger quotient computed pursuant to paragraph 3(a) or 3(b) 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. 2006-1 related to the IA No. 6 prepayment, 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. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amount computed pursuant to paragraph 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2006-1.

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.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = [(P_E - AE) \times F] + AE$$

These terms have the following meaning:

- AE = the Administrative Fees and Expenses
- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section I.1
- F = the percentage by which the owner of the Assessor's Parcel is partially prepaying the Special Tax.

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 percentage by which the Special Tax shall be prepaid. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the County shall (i) distribute the funds remitted to it according to Section I.1, and (ii) indicate in the records of CFD No. 2006-1 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, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section E.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Assigned Special Tax that may be levied on Taxable Property (based on expected development at build out), both prior to and after the proposed prepayment, less expected Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all Outstanding Bonds (excluding Bonds to be redeemed by such prepayment and all prior prepayments) in each future Fiscal Year and such partial

prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.


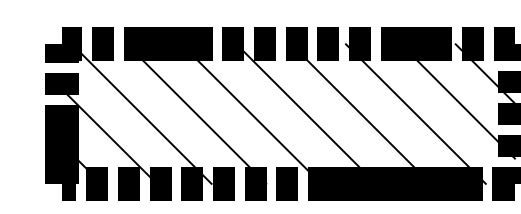
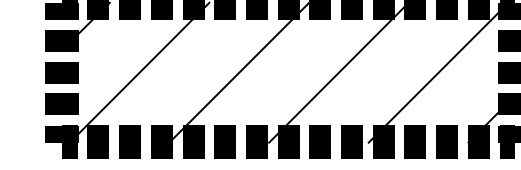
J. TERM OF SPECIAL TAX

The Special Tax shall be levied until the earlier of (i) Fiscal Year 2057-58 or (ii) five years after the latest scheduled maturity of all the Bonds.

EXHIBIT A
BOUNDARY MAP

**PROPOSED BOUNDARIES OF
IMPROVEMENT AREA NO. 6 OF
COUNTY OF SAN BERNARDINO
COMMUNITY FACILITIES DISTRICT NO. 2006-1
(LYTLE CREEK NORTH)
COUNTY OF SAN BERNARDINO
STATE OF CALIFORNIA**

LEGEND

	Boundaries of County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North)
	Improvement Area No. 6 Zone A
	Improvement Area No. 6 Zone B

(2) I hereby certify that the within map showing the proposed boundaries of Improvement Area No. 6 of County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North), San Bernardino County, State of California, was approved by the Board of Supervisors of the County of San Bernardino at a regular meeting thereof, held on the _____ day of _____, 2017, by its Resolution No. _____.

(1) Filed in the office of the Clerk of the Board of Supervisors of the County of San Bernardino this _____ day of _____, 2017.

Laura H. Welch, Clerk of the Board,
County of San Bernardino

Laura H. Welch, Clerk of the Board,
County of San Bernardino

**Assessor Parcels
within the Boundaries of
Improvement Area No. 6:**

- ZONE A**
0239-063-36
0239-063-37
0239-063-41
0239-063-45
0239-063-46
0239-231-14 through 0239-231-35
ZONE B
0239-063-03 (Annexation No. 1)

Reference is made to the Assessor Maps of the County of San Bernardino, the map of the Boundaries of County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North) recorded on December 27, 2006 at Book No. 81, Page 72 of Maps of Assessment and Community Facilities Districts, as Document Number 2006-0887566, in the office of the County Recorder for the County of San Bernardino, State of California, and the map of the Boundaries of Annexation No. 1 to County of San Bernardino Community Facilities District No. 2006-1 (Lytle Creek North) recorded on January 31, 2017 at Book No. 87, Page 37 of Maps of Assessment and Community Facilities Districts, as Document Number 2017-0041828, in the office of the County Recorder for the County of San Bernardino, State of California for a description of the lines and dimensions of each lot and parcel.

(3) This map has been filed under the Document Number _____, this _____ day of _____, 2017, at _____ m, in Book _____ of Maps of Assessment and Community Facilities Districts at Page _____, at the request of San Bernardino County, in the amount of \$_____.

Bob Dutton,
Assessor-Recorder
County of San Bernardino

By: _____
Deputy Recorder

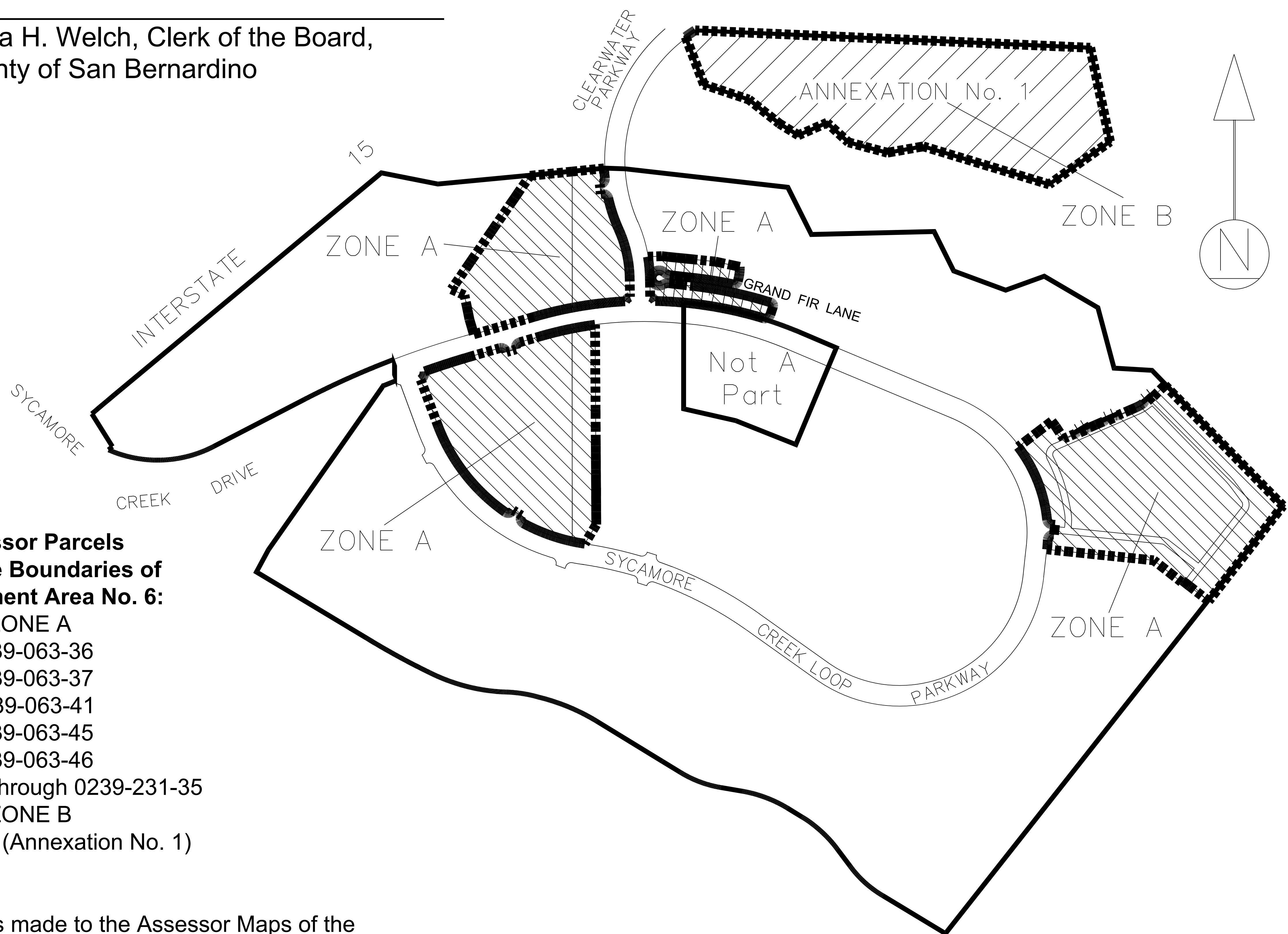


EXHIBIT B

CERTIFICATE OF REDUCTION IN SPECIAL TAXES

**County of San Bernardino
IA No. 6 of CFD No. 2006-1**

1. Pursuant to Section D of the Rate and Method of Apportionment, the Maximum Special Tax for Developed Property for [certain or all] Land Use Classes within IA No. 6 has been reduced.
2. The calculations made pursuant to Section D were based upon a Price Point Study that was received by the CFD Administrator on _____.
3. Tables 1A and 2A below show the Assigned Special Tax for each Land Use Class in Zones A and B after such reduction.

**TABLE 1A
Assigned Special Tax for Developed Property in Zone A**

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 4,250 s.f.	\$_____ per unit
2	Residential Property	4,051 – 4,250 s.f.	\$_____ per unit
3	Residential Property	3,851 – 4,050 s.f.	\$_____ per unit
4	Residential Property	3,651 – 3,850 s.f.	\$_____ per unit
5	Residential Property	3,451 – 3,650 s.f.	\$_____ per unit
6	Residential Property	3,251 – 3,450 s.f.	\$_____ per unit
7	Residential Property	3,051 – 3,250 s.f.	\$_____ per unit
8	Residential Property	2,851 – 3,050 s.f.	\$_____ per unit
9	Residential Property	2,651 – 2,850 s.f.	\$_____ per unit
10	Residential Property	2,451 – 2,650 s.f.	\$_____ per unit
11	Residential Property	2,251 – 2,450 s.f.	\$_____ per unit
12	Residential Property	2,051 – 2,250 s.f.	\$_____ per unit
13	Residential Property	1,851 – 2,050 s.f.	\$_____ per unit
14	Residential Property	1,651 – 1,850 s.f.	\$_____ per unit
15	Residential Property	1,451 – 1,650 s.f.	\$_____ per unit
16	Residential Property	< 1,451 s.f.	\$_____ per unit
17	Non-Residential Property	NA	\$_____ per Acre

TABLE 2A
Assigned Special Tax for Developed Property in Zone B

Land Use Class	Description	Residential Floor Area	Assigned Special Tax
1	Residential Property	> 3,250 s.f.	\$_____ per unit
2	Residential Property	3,051 – 3,250 s.f.	\$_____ per unit
3	Residential Property	2,851 – 3,050 s.f.	\$_____ per unit
4	Residential Property	2,651 – 2,850 s.f.	\$_____ per unit
5	Residential Property	2,451 – 2,650 s.f.	\$_____ per unit
6	Residential Property	2,251 – 2,450 s.f.	\$_____ per unit
7	Residential Property	2,051 – 2,250 s.f.	\$_____ per unit
8	Residential Property	1,851 – 2,050 s.f.	\$_____ per unit
9	Residential Property	< 1,851 s.f.	\$_____ per unit
10	Non-Residential Property	NA	\$_____ per Acre

- The Backup Special Tax for each Assessor's Parcel of Developed Property shall equal \$_____ per Acre in Zone A and \$_____ per Acre in Zone B after such reduction.
- Upon execution of this certificate by CFD No. 2006-1, CFD No. 2006-1 shall cause an amended notice of Special Tax lien for IA No. 6 to be recorded reflecting the Assigned Special Tax and Backup Special Tax set forth herein.

Submitted

CFD ADMINISTRATOR

By: _____ Date: _____

By execution hereof, the undersigned acknowledges, on behalf of CFD No. 2006-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

COUNTY OF SAN BERNARDINO CFD NO. 2006-1

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

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

County of San Bernardino
IA No. 6 of CFD No. 2006-1

1. All calculations required pursuant to Section D 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 Classes is less than or equal to 1.95%
3. The Maximum Special Tax for Developed Property within IA No. 6, including the Assigned Special Taxes set forth in Sections C.1.(b) and C.1.(c) and the Backup Special Tax set forth in Section C.1.(d) of the Rate and Method of Apportionment, shall remain in effect and not be reduced.

Submitted

CFD ADMINISTRATOR

By: _____

Date as of: [date of issuance of Bonds]

EXHIBIT C

*County of San Bernardino
Improvement Area No. 6 of
Community Facilities District No. 2006-1*

*Special Tax Roll
Fiscal Year 2017-2018*

Exhibit C

**County of San Bernardino
Improvement Area No. 6 of
Community Facilities District No. 2006-1
Fiscal Year 2017-2018 Special Tax Levy**

<u>Assessor's Parcel Number</u>	<u>Zone</u>	<u>FY 2017-2018 Special Tax</u>
0239-231-17	ZONE A	\$2,293.00
0239-231-18	ZONE A	\$2,383.00
0239-231-19	ZONE A	\$3,263.00
0239-231-20	ZONE A	\$2,919.00
0239-231-21	ZONE A	\$2,680.00
0239-231-22	ZONE A	\$2,547.00
0239-231-24	ZONE A	\$2,680.00
0239-231-25	ZONE A	\$2,547.00
0239-231-26	ZONE A	\$2,394.00
0239-231-27	ZONE A	\$2,293.00
0239-231-29	ZONE A	\$2,097.00
0239-231-30	ZONE A	\$2,125.00
0239-232-15	ZONE A	\$2,547.00
0239-232-16	ZONE A	\$2,293.00
0239-232-17	ZONE A	\$2,547.00
0239-232-18	ZONE A	\$2,293.00
0239-232-19	ZONE A	\$2,394.00
0239-232-20	ZONE A	\$2,394.00
0239-232-21	ZONE A	\$2,394.00
0239-232-22	ZONE A	\$2,394.00
0239-363-01	ZONE A	\$2,547.00
0239-363-02	ZONE A	\$2,293.00
0239-363-03	ZONE A	\$2,547.00
0239-363-04	ZONE A	\$2,293.00
0239-363-05	ZONE A	\$2,394.00
0239-363-06	ZONE A	\$2,547.00
0239-363-07	ZONE A	\$2,394.00
0239-363-08	ZONE A	\$2,394.00
0239-363-09	ZONE A	\$2,547.00
0239-363-10	ZONE A	\$2,394.00
0239-363-11	ZONE A	\$2,293.00
0239-363-12	ZONE A	\$2,547.00
0239-612-07	ZONE B	\$2,038.00
0239-612-08	ZONE B	\$2,095.00
0239-612-09	ZONE B	\$2,038.00
0239-612-10	ZONE B	\$2,095.00
0239-612-11	ZONE B	\$2,038.00
0239-612-12	ZONE B	\$2,095.00
0239-612-13	ZONE B	\$1,926.00
0239-612-14	ZONE B	\$1,926.00
0239-612-15	ZONE B	\$2,038.00
0239-612-16	ZONE B	\$1,926.00
0239-612-17	ZONE B	\$2,095.00

Exhibit C

**County of San Bernardino
Improvement Area No. 6 of
Community Facilities District No. 2006-1
Fiscal Year 2017-2018 Special Tax Levy**

<u>Assessor's Parcel Number</u>	<u>Zone</u>	<u>FY 2017-2018 Special Tax</u>
0239-612-18	ZONE B	\$2,095.00
0239-612-19	ZONE B	\$2,038.00
0239-612-20	ZONE B	\$1,926.00
0239-612-21	ZONE B	\$2,095.00
0239-612-22	ZONE B	\$2,038.00
0239-612-23	ZONE B	\$2,095.00
0239-612-24	ZONE B	\$2,038.00
0239-612-25	ZONE B	\$2,095.00
0239-612-42	ZONE B	\$2,038.00
0239-612-43	ZONE B	\$1,926.00
0239-612-44	ZONE B	\$1,926.00
0239-612-45	ZONE B	\$2,038.00
0239-612-46	ZONE B	\$2,210.00
0239-612-47	ZONE B	\$2,210.00
0239-612-48	ZONE B	\$2,325.00
0239-612-49	ZONE B	\$2,325.00
0239-612-57	ZONE B	\$2,325.00
0239-612-58	ZONE B	\$2,325.00
0239-612-59	ZONE B	\$2,210.00
0239-612-60	ZONE B	\$2,325.00
0239-612-61	ZONE B	\$2,325.00
0239-612-62	ZONE B	\$2,095.00
0239-612-63	ZONE B	\$2,325.00
0239-612-64	ZONE B	\$2,210.00
0239-612-65	ZONE B	\$2,325.00
0239-612-66	ZONE B	\$2,325.00
0239-612-67	ZONE B	\$2,095.00
0239-612-70	ZONE B	\$2,431.00
0239-612-71	ZONE B	\$2,431.00
Total FY 2017-2018 Special Tax Levy		\$164,142.00
Total Number of Parcels Taxed		72