

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF ORANGE ESTABLISHING COMMUNITY FACILITIES DISTRICT NO. 2017-1 OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA) AND IMPROVEMENT AREAS THEREIN, AUTHORIZING THE LEVY OF SPECIAL TAXES AND CALLING AN ELECTION WITHIN EACH IMPROVEMENT AREA AND APPROVING AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO

March 28, 2017

WHEREAS, the Board of Supervisors (the “Board of Supervisors”) of the County of Orange (the “County”) has heretofore adopted Resolution No. 17-023 stating its intention to establish Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (“Community Facilities District No. 2017-1” or the “District”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the “Act”) and to form two improvement areas within proposed Community Facilities District No. 2017-1 to be known as “Improvement Area No. 1 of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia)” (“Improvement Area No. 1”) and “Improvement Area No. 2 of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia)” (“Improvement Area No. 2” and together with Improvement Area No. 1, the “Improvement Areas”); and

WHEREAS, in connection with the proposed formation of the District, the County proposes to enter into a Joint Community Facilities Agreement (the “Water District JCFA”) with the Santa Margarita Water District (the “Water District”) relating to certain facilities proposed to be financed by the District and owned and operated by the Water District and the form of the Water District JCFA is on file with the Clerk of the Board of Supervisors; and

WHEREAS, a copy of Resolution No. 17-023 setting forth a description of the proposed boundaries of Community Facilities District No. 2017-1 and each of the Improvement Areas, the facilities and incidental expenses to be financed by the District and the rate and method of apportionment of the special tax proposed to be levied within each of the Improvement Areas is on file with the Clerk of the Board of Supervisors; and

WHEREAS, notice was published and mailed to all landowners of the land proposed to be included within the District as required by law relative to the intention of this Board of Supervisors to form proposed Community Facilities District No. 2017-1 and the Improvement Areas and to levy a special tax within each of the Improvement Areas and to incur bonded indebtedness in the amount of up to \$98,000,000 within Improvement Area No. 1 and \$28,000,000 within Improvement Area No. 2 therein to finance the facilities and incidental expenses described in Resolution No. 17-023; and

WHEREAS, on March 28, 2017, this Board of Supervisors conducted a noticed public hearing as required by law relative to the proposed formation of Community Facilities District No. 2017-1 and the Improvement Areas, the levy of the special tax within each of the Improvement Areas and the issuance of bonded indebtedness by the District for each of the Improvement Areas; and

WHEREAS, at the March 28, 2017 public hearing there was filed with this Board of Supervisors a report containing a description of the facilities necessary to meet the needs of the

District and an estimate of the cost of such facilities as required by Section 53321.5 of the Act (the “Engineer’s Report”); and

WHEREAS, at the March 28, 2017 public hearing all persons desiring to be heard on all matters pertaining to the formation of Community Facilities District No. 2017-1 and the Improvement Areas, the levy of the special tax within each of the Improvement Areas and the issuance of bonded indebtedness by the District for each of the Improvement Areas were heard and a full and fair hearing was held; and

WHEREAS, following the public hearing, this Board of Supervisors has determined to authorize the formation of the District to finance the types of facilities (the “Facilities”) and the incidental expenses (the “Incidental Expenses”) set forth in Attachment “C” hereto, which are described in more detail in the Engineer’s Report; and

WHEREAS, at the public hearing evidence was presented to this Board of Supervisors on the matters before it, and the proposed special tax to be levied within each of the Improvement Areas was not precluded by a majority protest of the type described in Section 53324 of the Act, and this Board of Supervisors at the conclusion of the hearing was fully advised as to all matters relating to the formation of the District and the Improvement Areas and the levy of a special tax and the issuance of bonded indebtedness within each of the Improvement Areas; and

WHEREAS, this Board of Supervisors has determined, based on a Certificate of Registrar of Voters on file in the office of the Clerk of the Board of Supervisors, that no registered voters have been residing in the proposed boundaries of Community Facilities District No. 2017-1 for each of the 90 days prior to March 28, 2017 and that the qualified electors in Community Facilities District No. 2017-1 are the landowners within the District; and

WHEREAS, on the basis of all of the foregoing, this Board of Supervisors has determined to proceed with the establishment of Community Facilities District No. 2017-1 and the Improvement Areas and to call an election within each of the Improvement Areas to authorize (i) the levy of special taxes within Improvement Area No. 1 pursuant to the rate and method of apportionment of the special tax, as set forth in Attachment “A” attached hereto, (ii) the levy of special taxes within Improvement Area No. 2 pursuant to the rate and method of apportionment of the special tax, as set forth in Attachment “B” attached hereto, (iii) the issuance of bonds within each of the Improvement Areas to finance the Facilities and Incidental Expenses, and (iv) the establishment of an appropriations limit for the District;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF COUNTY OF ORANGE DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Each of the above recitals is true and correct.

SECTION 2. A community facilities district to be designated “Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia)” is hereby established pursuant to the Act and Improvement Area No. 1 and Improvement Area No. 2 are hereby designated within the District in accordance with Section 53350 of the Act. The Board of Supervisors hereby finds and determines that all prior proceedings taken with respect to the establishment of the District and the Improvement Areas were valid and in conformity with the requirements of law, including the Act. This finding is made in accordance with the provisions of Section 53325.1(b) of the Act.

SECTION 3. The boundaries of Community Facilities District No. 2017-1 and each of the Improvement Areas are established as shown on the map designated “Proposed Boundaries of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia), County of Orange, State of California”, which map is on file in the office of the Clerk of the Board of Supervisors and was recorded pursuant to Sections 3111 and 3112 of the Streets and Highways Code in the County of Orange Book of Maps of Assessment and Community Facilities Districts in the County Recorder’s Office in Book No. 104 Page No. 44, on February 22, 2017 as Instrument No. 2017000075306.

SECTION 4. The types of Facilities and Incidental Expenses authorized to be provided for Community Facilities District No. 2017-1 are those set forth in Attachment “C” attached hereto. The estimated cost of the Facilities and Incidental Expenses to be financed is set forth in the Engineer’s Report, which estimates may change as the Facilities are designed and bid for construction and acquisition.

The form of the Water District JCFA on file with the Clerk of the Board of Supervisors is approved as to form, and each of the Chairwoman of the Board of Supervisors, the County Executive Officer and the Public Finance Director of the County, and their written designees, is authorized to execute the Water District JCFA in substantially the form on file with the Clerk of the Board of Supervisors, together with such changes as are approved by the officer executing the same, with the approval of such changes to be conclusively evidenced by the execution and delivery thereof.

The County is authorized by the Act and by the Water District JCFA to contribute revenue to, or to construct or acquire the Facilities, all in accordance with the Act. The Board of Supervisors finds and determines that the proposed Facilities are necessary to meet the increased demand that will be placed upon local agencies and public infrastructure as a result of new development within the District and that the Facilities to be financed, including those to be financed pursuant to the Water District JCFA, benefit residents of the County and the future residents of the District.

SECTION 5. Except where funds are otherwise available, it is the intention of the Board of Supervisors, subject to the approval of the eligible voters within Improvement Area No. 1 of the District, to levy annually a special tax at the rates set forth in Attachment “A” hereto on all non-exempt property within Improvement Area No. 1 of the District sufficient to pay for (i) the portion of the Facilities and Incidental Expenses to be financed by Improvement Area No. 1, and (ii) the principal and interest and other periodic costs on the bonds proposed to be issued by the District for Improvement Area No. 1 to finance the Facilities and Incidental Expenses, including the establishment and replenishment of reserve funds, any remarketing, credit enhancement and liquidity facility fees and other expenses of the type permitted by Section 53345.3 of the Act (including fees for instruments which serve as the basis of a reserve fund in lieu of cash). The rate and method of apportionment of the special tax for Improvement Area No. 1 is described in detail in Attachment “A” hereto and incorporated herein by this reference, and the Board of Supervisors hereby finds that Attachment “A” contains sufficient detail to allow each landowner within Improvement Area No. 1 of the District to estimate the maximum amount that may be levied against each parcel.

Except where funds are otherwise available, it is the intention of the Board of Supervisors, subject to the approval of the eligible voters within Improvement Area No. 2 of the District, to levy annually a special tax at the rates set forth in Attachment “B” hereto on all non-exempt property within Improvement Area No. 2 of the District sufficient to pay for (i) the portion of the Facilities and Incidental Expenses to be financed by Improvement Area No. 2, and (ii) the principal and

interest and other periodic costs on the bonds proposed to be issued by the District for Improvement Area No. 2 to finance the Facilities and Incidental Expenses, including the establishment and replenishment of reserve funds, any remarketing, credit enhancement and liquidity facility fees and other expenses of the type permitted by Section 53345.3 of the Act (including fees for instruments which serve as the basis of a reserve fund in lieu of cash). The rate and method of apportionment of the special tax for Improvement Area No. 2 is described in detail in Attachment “B” hereto and incorporated herein by this reference, and the Board of Supervisors hereby finds that Attachment “B” contains sufficient detail to allow each landowner within Improvement Area No. 2 of the District to estimate the maximum amount that may be levied against each parcel.

As described in greater detail in the Engineer’s Report, which is incorporated by reference herein, the special tax to be levied within each of the Improvement Areas is based on the expected demand that each parcel of real property within the respective Improvement Areas will place on the Facilities and on the benefit that each parcel will derive from the right to access the Facilities and, accordingly, is hereby determined to be reasonable. The special tax within each of the Improvement Areas shall be levied on each assessor’s parcel for a period not to exceed forty years from the fiscal year in which such assessor’s parcel first becomes Developed Property, as defined in Attachment “A” and Attachment “B” hereto. The special tax is apportioned to each parcel within the respective Improvement Areas on the foregoing bases pursuant to Section 53325.3 of the Act and such special tax is not on or based upon the ownership of real property or the assessed value of real property.

The District expects to incur, and in certain cases has already incurred, Incidental Expenses in connection with the creation of the District, the issuance of bonds, the levying and collecting of the special taxes, the completion and inspection of the Facilities and the annual administration of the bonds and the District.

If special taxes are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall be specified as a dollar amount which shall be calculated and established not later than the date on which the parcel is first subject to the special tax because of its use for private residential purposes and shall not be increased over time, except that it may be increased by an amount not to exceed two percent (2%) per year to the extent permitted in the rate and method of apportionment of the special tax set forth in Attachment “A” for parcels within Improvement Area No. 1 and Attachment “B” for parcels within Improvement Area No. 2, (ii) such special tax shall be levied for a period not to exceed forty (40) years from the fiscal year in which such assessor’s parcel first becomes Developed Property, as described in Attachment “A” for parcels within Improvement Area No. 1 and Attachment “B” for parcels within Improvement Area No. 2, and (iii) under no circumstances will the special tax levied against any such parcel used for private residential uses be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults.

The County Executive Office of the County of Orange, 333 W. Santa Ana Boulevard, Santa Ana, California 92701, telephone number (949) 834-2345, will be responsible for preparing annually, or authorizing a designee to prepare, a current roll of special tax levy obligations by assessor’s parcel number and will be responsible for estimating future special tax levies pursuant to Section 53340.2 of the Act.

SECTION 6. In the event that a portion of the property within Improvement Area No. 1 shall become for any reason exempt, wholly or partially, from the levy of the special tax applicable thereto, or in the event of delinquencies in the payment of special taxes levied therein, the Board of Supervisors shall, on behalf of Community Facilities District No. 2017-1, increase the levy to the extent necessary and permitted by law and these proceedings upon the remaining property within Improvement Area No. 1 which is not exempt or delinquent in order to yield the required debt service payments on any outstanding bonds issued by the District for Improvement Area No. 1, or to prevent the District from defaulting on any other obligations or liabilities payable from Improvement Area No. 1 special taxes; provided, however, under no circumstances will the special tax levied against any parcel used for private residential uses be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any delinquencies or defaults in special tax payments. The amount of the special tax for parcels within Improvement Area No. 1 will be set in accordance with the rate and method of apportionment of the special tax for Improvement Area No. 1 attached hereto as Attachment "A." The obligation of parcels within Improvement Area No. 1 to pay special taxes may be prepaid only as set forth in Section G of Attachment "A" hereto.

In the event that a portion of the property within Improvement Area No. 2 shall become for any reason exempt, wholly or partially, from the levy of the special tax applicable thereto, or in the event of delinquencies in the payment of special taxes levied therein, the Board of Supervisors shall, on behalf of Community Facilities District No. 2017-1, increase the levy to the extent necessary and permitted by law and these proceedings upon the remaining property within Improvement Area No. 2 which is not exempt or delinquent in order to yield the required debt service payments on any outstanding bonds issued by the District for Improvement Area No. 2, or to prevent the District from defaulting on any other obligations or liabilities payable from Improvement Area No. 2 special taxes; provided, however, under no circumstances will the special tax levied against any parcel used for private residential uses be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the District by more than ten percent above the amount that would have been levied in that fiscal year had there never been any delinquencies or defaults in special tax payments. The amount of the special tax for parcels within Improvement Area No. 2 will be set in accordance with the rate and method of apportionment of the special tax for Improvement Area No. 2 attached hereto as Attachment "B." The obligation of parcels within Improvement Area No. 2 to pay special taxes may be prepaid only as set forth in Section G of Attachment "B" hereto.

SECTION 7. Upon recordation of a notice of special tax lien for each of the Improvement Areas pursuant to Section 3114.5 of the Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all non-exempt real property in each of such Improvement Areas and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien canceled with respect to such Improvement Area in accordance with law or until collection of the special tax for such Improvement Area ceases.

SECTION 8. Consistent with Section 53325.6 of the Act, the Board of Supervisors finds and determines that the land within Community Facilities District No. 2017-1, if any, devoted primarily to agricultural, timber or livestock uses and being used for the commercial production of agricultural, timber or livestock products is contiguous to other land within Community Facilities District No. 2017-1 and will be benefited by the Facilities proposed to be provided within Community Facilities District No. 2017-1.

SECTION 9. It is hereby further determined that there is no *ad valorem* property tax currently being levied on property within proposed Community Facilities District No. 2017-1 for the exclusive purpose of paying the principal of or interest on bonds or other indebtedness incurred to finance the construction of capital facilities which provide the same services to the territory of Community Facilities District No. 2017-1 as are proposed to be provided by the Facilities to be financed by Community Facilities District No. 2017-1.

SECTION 10. Written protests against the establishment of the District and the Improvement Areas have not been filed by one-half or more of the registered voters within the boundaries of the District or either Improvement Area or by the property owners of one-half (1/2) or more of the area of land within the District or either Improvement Area. The Board of Supervisors hereby finds that the proposed special tax for each of the Improvement Areas has not been precluded by a majority protest pursuant to Section 53324 of the Act.

SECTION 11. An election is hereby called for Improvement Area No. 1 on the propositions of levying the special tax on the property within Improvement Area No. 1 and establishing an appropriations limit for the District pursuant to Section 53325.7 of the Act and shall be consolidated with the election on the proposition of incurring bonded indebtedness for Improvement Area No. 1, pursuant to Sections 53351 and 53353.5 of the Act. The language of the propositions to be placed on the ballot for the election within Improvement Area No. 1 is attached hereto as Attachment "D."

An election is hereby called for Improvement Area No. 2 on the propositions of levying the special tax on the property within Improvement Area No. 2 and establishing an appropriations limit for the District pursuant to Section 53325.7 of the Act and shall be consolidated with the election on the proposition of incurring bonded indebtedness for Improvement Area No. 2, pursuant to Sections 53351 and 53353.5 of the Act. The language of the propositions to be placed on the ballot for the election within Improvement Area No. 2 is attached hereto as Attachment "E."

SECTION 12. The date of the elections for each of the Improvement Areas on the propositions of incurring the bonded indebtedness, authorizing the levy of the special taxes and establishing an appropriations limit for the District shall be March 28, 2017, or such later date as is consented to by the Registrar of Voters of the County of Orange; provided that, if the election for an Improvement Area is to take place sooner than 90 days after March 28, 2017, then the unanimous written consent of the qualified electors within such Improvement Area to such election date must be obtained. The polls shall be open for said election between the hours of 12:00 p.m. and 5:00 p.m. if held on March 28, 2017 and between the hours of 8:00 a.m. and 5:00 p.m. if held on a later date. The elections shall be conducted by the Registrar of Voters. Except as otherwise provided by the Act, the elections shall be conducted in accordance with the provisions of law regulating elections of the County of Orange insofar as such provisions are determined by the Registrar of Voters to be applicable. The Registrar of Voters is authorized to conduct the elections following the adoption of this resolution, and all ballots shall be received by, and the Registrar of Voters shall close the elections by, 5:00 p.m. on the election day; provided an election shall be closed at such earlier time as all qualified electors in such election have voted as provided in Section 53326(d) of the Act. Pursuant to Section 53326 of the Act, the ballots for the special elections shall be distributed in person, or by mail with return postage prepaid, to the qualified electors within Community Facilities District No. 2017-1. The Registrar of Voters has certified in a certificate on file with the Clerk of the Board of Supervisors that there were no registered voters within the District as of February 22, 2017. Accordingly, since there were fewer than 12 registered voters within the District for each of the 90 days preceding March 28, 2017, the qualified electors shall be the landowners within each of the

Improvement Areas and each landowner, or the authorized representative thereof, shall have one vote for each acre or portion thereof that such landowner owns within the respective Improvement Areas, as provided in Section 53326 of the Act.

SECTION 13. The preparation of the Engineer's Report is hereby ratified. The Engineer's Report, as submitted, is hereby approved and was made a part of the record of the public hearing regarding the formation of Community Facilities District No. 2017-1. The Engineer's Report is ordered to be kept on file with the transcript of these proceedings and open for public inspection.

SECTION 14. This Resolution shall be effective upon its adoption.

ATTACHMENT “A”**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 1)**

A Special Tax as hereinafter defined shall be levied on all Assessor’s Parcels in Improvement Area No. 1 (“IA No. 1”) of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (“CFD No. 2017-1”) and collected each Fiscal Year commencing in Fiscal Year 2017-18, 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. 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.

“**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. 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, IA No. 1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2017-1 or any designee thereof of complying with disclosure requirements of the County, IA No. 1 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2017-1 or any designee thereof related to an appeal of any Special Tax levy; 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 by the CFD Administrator or advanced by the County or CFD No. 2017-1 for any other administrative purposes of IA No. 1, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

“**Assessor’s Parcel**” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) and Section C.1.(e) below.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.(d) and Section C.1.(e) below.

“Board” means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2017-1.

“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. 2017-1 and secured by Special Taxes of IA No. 1 under the Act.

“CFD Administrator” means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2017-1” means Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia).

“Conservation Property” means, for each Fiscal Year, any property within the boundaries of IA No. 1, excluding Property Owner Association Property, Public Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

“County” means the County of Orange.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the

original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

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

“Improvement Area No. 1” or **“IA No. 1”** means Improvement Area No. 1 of CFD No. 2017-1.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Land Use Class” means any of the classes within each Zone listed in Tables 1 through 6 below.

“Maximum Special Tax” means for each Fiscal Year for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor’s Parcel in such Fiscal Year.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for a non-residential use.

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

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of IA No. 1 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year. Notwithstanding the foregoing, any property previously classified as Developed Property and subsequently owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association, shall remain classified as Developed Property.

“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 within IA No. 1. 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 in IA No. 1. For Taxable Conservation Property, Taxable Property Owner Association Property, and Taxable Religious 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 Taxable Conservation Property, Taxable Property Owner Association Property, or Taxable Religious Property, as applicable, in IA No. 1. For Taxable Public 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 Taxable Public Property, as applicable, in IA No. 1.

“Public Property” means, for each Fiscal Year, any property within the boundaries of IA No. 1 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 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. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

“Religious Property” means, for each Fiscal Year, all property within the boundaries of IA No. 1 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the CFD Administrator; and (ii) is exempt from ad valorem property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor’s Parcels used primarily for religious schools, day care centers, or congregate care facilities.

“Residential Floor Area” means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential 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 Requirement” means for each Fiscal Year, that amount required for IA No. 1 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by IA No. 1; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by IA No. 1 under the Act provided that inclusion of such amount does not increase the amount of Special Taxes to be levied on Assessor’s Parcels of Undeveloped Property. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

“State” means the State of California.

“Taxable Conservation Property” means all Assessor’s Parcels of Conservation Property that are not exempt pursuant to Section E below.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of IA No. 1 which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E below.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

“Zone” means any one of the separate geographic areas within IA No. 1 designated on Exhibit A herein as: Zone 1, Zone 2, Zone 3, Zone 4, Zone 5, Zone 6, or Zone E.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 through 6 of IA No. 1 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious 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.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor’s Parcel is located, the number of dwelling units, and the Residential Floor Area of the dwelling units located on the Assessor’s Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor’s Parcel is located and the Acreage of the Assessor’s Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor’s Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2017-18 is shown below in Tables 1 through 6.

TABLE 1**Zone 1****(All Ages - Traditional Single Family Attached)****For Fiscal Year 2017-18****Assigned Special Taxes for Developed Property**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	\$4,476 per unit
2	1,401 – 1,600 SF	Residential Property	\$4,101 per unit
3	1,201 – 1,400 SF	Residential Property	\$3,860 per unit
4	1,001 – 1,200 SF	Residential Property	\$3,620 per unit
5	< 1,001 SF	Residential Property	\$2,100 per unit
6	N/A	Non-Residential Property	\$87,719 per Acre

TABLE 2**Zone 2****(All Ages – Cluster Single Family Attached)****For Fiscal Year 2017-18****Assigned Special Taxes for Developed Property**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$6,337 per unit
2	1,701 – 1,900 SF	Residential Property	\$5,524 per unit
3	1,501 – 1,700 SF	Residential Property	\$4,841 per unit
4	1,301 – 1,500 SF	Residential Property	\$4,505 per unit
5	< 1,301 SF	Residential Property	\$4,216 per unit
6	N/A	Non-Residential Property	\$99,317 per Acre

TABLE 3
Zone 3
(All Ages – Cluster Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,600 SF	Residential Property	\$7,487 per unit
2	2,401 – 2,600 SF	Residential Property	\$7,198 per unit
3	2,201 – 2,400 SF	Residential Property	\$7,006 per unit
4	2,001 – 2,200 SF	Residential Property	\$6,578 per unit
5	1,801 – 2,000 SF	Residential Property	\$6,185 per unit
6	< 1,801 SF	Residential Property	\$5,630 per unit
7	N/A	Non-Residential Property	\$80,377 per Acre

TABLE 4
Zone 4
(All Ages – Traditional Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 4,400 SF	Residential Property	\$12,732 per unit
2	4,201 – 4,400 SF	Residential Property	\$12,417 per unit
3	4,001 – 4,200 SF	Residential Property	\$12,102 per unit
4	3,801 – 4,000 SF	Residential Property	\$11,386 per unit
5	3,601 – 3,800 SF	Residential Property	\$10,670 per unit
6	3,401 – 3,600 SF	Residential Property	\$10,412 per unit
7	3,201 – 3,400 SF	Residential Property	\$9,856 per unit
8	3,001 – 3,200 SF	Residential Property	\$9,300 per unit
9	2,801 – 3,000 SF	Residential Property	\$8,742 per unit
10	2,601 – 2,800 SF	Residential Property	\$8,217 per unit
11	2,401 – 2,600 SF	Residential Property	\$7,724 per unit
12	2,201 – 2,400 SF	Residential Property	\$7,261 per unit
13	2,001 – 2,200 SF	Residential Property	\$6,565 per unit
14	1,801 – 2,000 SF	Residential Property	\$6,023 per unit
15	< 1,801 SF	Residential Property	\$5,557 per unit
16	N/A	Non-Residential Property	\$68,954 per Acre

TABLE 5
Zone 5
(Age Qualified – Cluster Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$5,102 per unit
2	1,701 – 1,900 SF	Residential Property	\$4,853 per unit
3	1,501 – 1,700 SF	Residential Property	\$4,428 per unit
4	1,301 – 1,500 SF	Residential Property	\$4,360 per unit
5	< 1,301 SF	Residential Property	\$4,292 per unit
6	N/A	Non-Residential Property	\$53,022 per Acre

TABLE 6
Zone 6
(Age Qualified – Traditional Single Family Detached)
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$6,280 per unit
2	2,001 – 2,400 SF	Residential Property	\$6,095 per unit
3	< 2,001 SF	Residential Property	\$5,546 per unit
4	N/A	Non-Residential Property	\$51,220 per Acre

c. Multiple Land Use Classes

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 on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 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 that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in IA No. 1 shall equal an amount per Acre for each Zone as shown below in Table 7.

TABLE 7
All Zones
Fiscal Year 2017-18
Backup Special Tax

Zone	FY 2017-18 Backup Special Tax
1	\$87,719 per Acre
2	\$99,317 per Acre
3	\$80,377 per Acre
4	\$68,954 per Acre
5	\$53,022 per Acre
6	\$51,220 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2018, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 8.

TABLE 8
All Zones
Fiscal Year 2017-18
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, or Undeveloped Property

Zone	FY 2017-18 Maximum Special Tax
1	\$87,719 per Acre
2	\$99,317 per Acre
3	\$80,377 per Acre
4	\$68,954 per Acre
5	\$53,022 per Acre
6	\$51,220 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2018, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2017-18 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied 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 applicable 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 for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

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 Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property, as applicable.

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

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 1. 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 all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on (1) any property in Zone E and (2) Conservation Property, Property Owner Association Property, Public Property, and/or Religious Property in Zones 1 through 6 up to the Acreage amounts shown in Table 9 below:

TABLE 9

Zone	Exempt Acreage
1	0.86 Acres
2	3.49 Acres
3	8.39 Acres
4	8.43 Acres
5	2.04 Acres
6	3.40 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property within each Zone becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section C above.

Conservation Property, Property Owner Association Property, Public Property, or Religious Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth or fifth steps, as

applicable, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2017-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Act and permitted by CFD No. 2017-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“CFD Public Facilities Cost” means either \$87.8 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. 2017-1 on behalf of IA No. 1 under the authorized bonding program for IA No. 1, 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 Taxes 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, for a Fiscal Year, the greater of 0% and 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 Cost 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. 2017-1 for IA No. 1 prior to the date of prepayment.

1. Prepayment in Full

The obligation to pay the Special Tax for an Assessor’s Parcel of Taxable Property 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 for such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The 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
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

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

Paragraph No.:

1. 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, 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. For Assessor’s Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, compute the Maximum Special Tax for the Assessor’s Parcel to be prepaid.
2. (a) For an Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued (i) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for the entire IA No. 1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor’s Parcels for which the Special Taxes have been prepaid, and (ii) Divide the Backup Special Tax computed pursuant to paragraph 1 by

the total estimated Backup Special Taxes for the entire IA No. 1 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

(b) For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, divide the Maximum Special Tax computed pursuant to paragraph 1 by the total estimated Maximum Special Tax for the entire IA No. 1 based on the Maximum Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 1, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

3. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. Compute the current Future Facilities Costs.
6. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
7. 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.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the 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 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the “Defeasance Amount”).
12. Verify the administrative fees and expenses of IA No. 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 (the “Reserve Fund Credit”) shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, 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 larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor’s Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor’s Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, 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 3, 4, 6, 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 3, 4, 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 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2017-1.

The 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 for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), 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 (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to 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.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.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 amount
P _E	=	the Prepayment Amount calculated according to Section G.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 for which the Special Tax is partially prepaid, CFD No. 2017-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2017-1 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 applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D. Furthermore, for Undeveloped Property that has been partially prepaid, the outstanding percentage (1.00 - F) of the applicable Assigned

Special Tax, Backup Special Tax, and Maximum Special Tax shall continue to apply to such Assessor's Parcel after such Assessor's Parcel is considered Developed Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial 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 (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to 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.

H. SPECIAL TAX REDUCTION

The following definitions apply to this Section H:

“Issuance Date” means the date a bond purchase contract related to the sale of the Bonds is entered into between the underwriter of the Bonds and CFD No. 2017-1.

“Plan Type” means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., detached, attached, cluster) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within IA No. 1 as identified in the Price Point Study.

“Price Point” means, with respect to the residential dwelling units in each Plan Type, as of the date of the applicable Price Point Study, the base price of such residential dwelling units, estimated by the Price Point Consultant as of such date, including any incentives and concessions, but excluding potential appreciation or premiums, options or upgrades, based upon their actual or expected characteristics, such as living area, view, or lot size.

“Price Point Consultant” means any consultant or firm of such consultants selected by CFD No. 2017-1 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. 2017-1 or the County, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2017-1, (ii) the County, (iii) any owner of real property in CFD No. 2017-1, or (iv) any real property in CFD No. 2017-1, and (e) is not connected with CFD No. 2017-1 or the County as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2017-1 or the County.

“Price Point Study” means a price point study or a letter updating a previous price point study, which (a) has been prepared by the Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within Zones 1 through 6 of IA No. 1, (c) sets forth the estimated number of constructed and expected residential dwelling units for

each Plan Type, (d) sets forth such Price Point Consultant's estimate of the Price Point for each Plan Type and (e) uses a date for establishing such Price Points that is no earlier than 30 days prior to the date the Price Point Study is delivered to the CFD Administrator pursuant to Step No. 1 of this Section H. The Price Point Study will only include the for-sale Residential Property in Zones 1 through 6.

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

“Total Tax and Assessment Obligation” means, with respect to a Plan Type in a Zone, for the Fiscal Year for which the calculation is being performed, the quotient of (a) the sum of the Assigned Special Tax and estimated *ad valorem* property taxes, special assessments, special taxes for any overlapping community facilities districts, and any other governmental taxes, fees and charges levied or imposed on all residential dwelling units of such Plan Type in such Zone 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 in such Zone. 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 in such Zone as identified in the Price Point Study.

Prior to the issuance of the first series of Bonds, the following steps shall be taken for each Land Use Class of for-sale Residential Property in Zones 1 through 6:

Step No.:

1. At least 30 days prior to the expected Issuance Date of the first series of Bonds, CFD No. 2017-1 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 Tax and Assessment Obligation and Total Effective Tax Rate for each Plan Type in each Zone.
3. Separately, for each Land Use Class of for-sale Residential Property in each Zone, 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 2.00%.
 - a. If the Total Effective Tax Rate for all Plan Types in a Land Use Class in a Zone is less than or equal to 2.00%, then there shall be no change in the Assigned Special Tax for such Land Use Class in such Zone.
 - b. If the Total Effective Tax Rate for any Plan Type in a Land Use Class in a Zone is greater than 2.00%, the CFD Administrator shall calculate a revised Assigned Special Tax for such Land Use Class in such Zone, 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 in such Zone to exceed 2.00%.

- 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 per Acre for such Zone shall be an amount (rounded to the nearest whole dollar) equal to the Backup Special Tax per Acre for such Zone as set forth in Table 7 above, 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 in any Zone 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. 2017-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes in all Zones and shall set forth, as applicable, either (i) the reduced Assigned Special Tax for a Land Use Class in a Zone as calculated pursuant to step 3.b. or 3.c., or (ii) the Assigned Special Tax as identified in Tables 1 through 6 in Section C for a Land Use Class in a Zone 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 7 in Section C.1.(d) for a Zone that was not revised as determined pursuant to step 4.
6. If the Issuance Date of the first series of Bonds is within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2017-1 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the closing date of such Bonds, and upon the closing of such first series of Bonds, the Assigned Special Tax for each Land Use Class and the Backup Special Tax shall be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes. If the Issuance Date of the first series of Bonds is not within 120 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2017-1 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. 2017-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2017-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 1 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 in any Zone 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. 2017-1 a Certificate of No Reduction in Special Taxes substantially in the form of Exhibit C hereto dated as of the closing date of the first series of Bonds that states that the calculations required pursuant to this Section H have been made and that no changes to the Maximum Special Tax are necessary.
9. CFD No. 2017-1 and the CFD Administrator shall take no further actions under this Section H upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2017-1 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.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied on an Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

J. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A

ZONE DESIGNATION

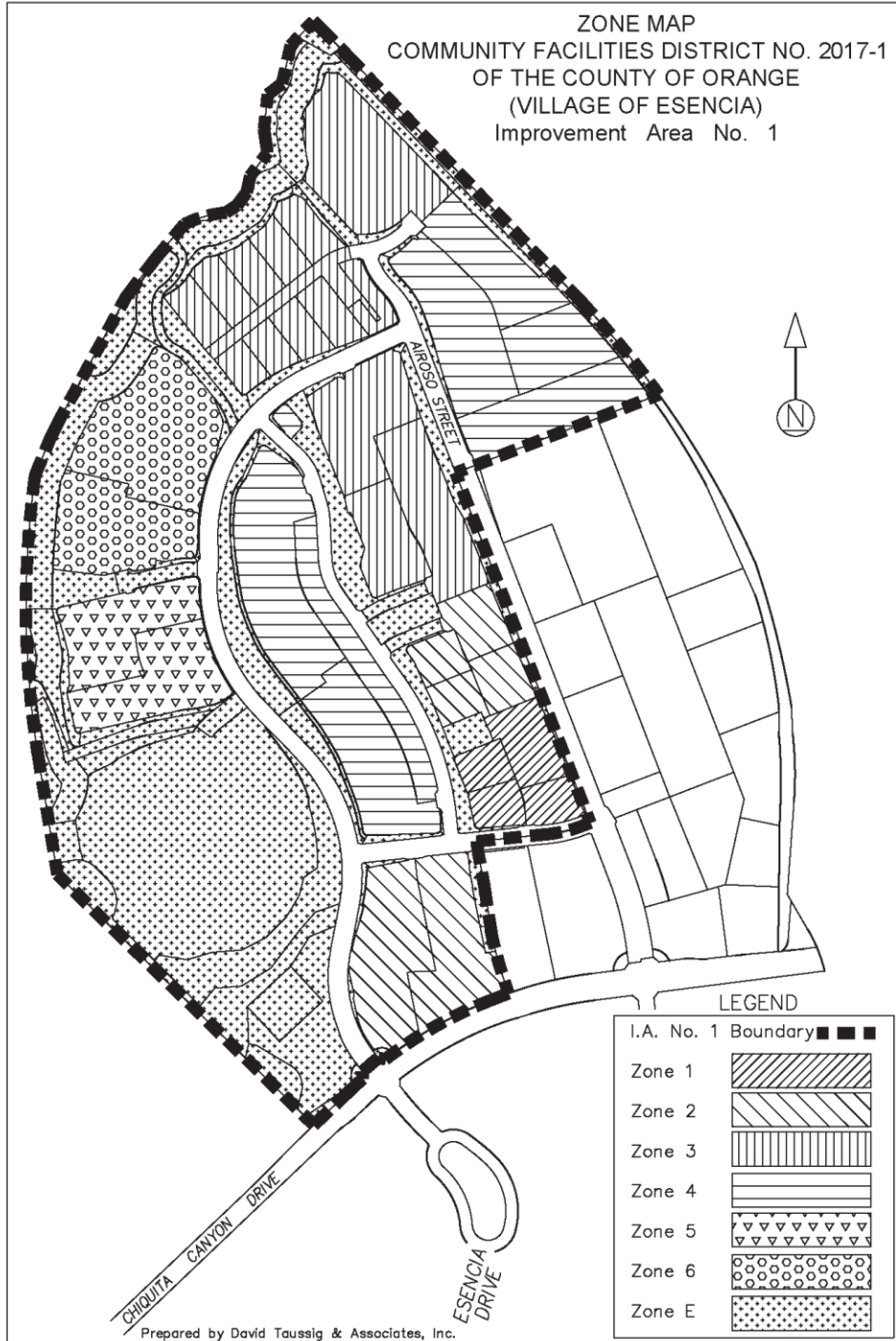


EXHIBIT B**CERTIFICATE OF REDUCTION IN SPECIAL TAXES**

**Improvement Area No. 1
Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)**

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

**Table 1A
Assigned Special Tax for Developed Property in Zone 1
Fiscal Year 2017-18**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,600 SF	Residential Property	\$____ per unit
2	1,401 – 1,600 SF	Residential Property	\$____ per unit
3	1,201 – 1,400 SF	Residential Property	\$____ per unit
4	1,001 – 1,200 SF	Residential Property	\$____ per unit
5	< 1,001 SF	Residential Property	\$____ per unit
6	N/A	Non-Residential Property	\$_____ per Acre

Table 2A
Assigned Special Tax for Developed Property in Zone 2
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$___ per unit
2	1,701 – 1,900 SF	Residential Property	\$___ per unit
3	1,501 – 1,700 SF	Residential Property	\$___ per unit
4	1,301 – 1,500 SF	Residential Property	\$___ per unit
5	< 1,301 SF	Residential Property	\$___ per unit
6	N/A	Non-Residential Property	\$_____ per Acre

Table 3A
Assigned Special Tax for Developed Property in Zone 3
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,600 SF	Residential Property	\$___ per unit
2	2,401 – 2,600 SF	Residential Property	\$___ per unit
3	2,201 – 2,400 SF	Residential Property	\$___ per unit
4	2,001 – 2,200 SF	Residential Property	\$___ per unit
5	1,801 – 2,000 SF	Residential Property	\$___ per unit
6	< 1,801 SF	Residential Property	\$___ per unit
7	N/A	Non-Residential Property	\$_____ per Acre

Table 4A
Assigned Special Tax for Developed Property in Zone 4
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 4,400 SF	Residential Property	\$___ per unit
2	4,201 – 4,400 SF	Residential Property	\$___ per unit
3	4,001 – 4,200 SF	Residential Property	\$___ per unit
4	3,801 – 4,000 SF	Residential Property	\$___ per unit
5	3,601 – 3,800 SF	Residential Property	\$___ per unit
6	3,401 – 3,600 SF	Residential Property	\$___ per unit
7	3,201 – 3,400 SF	Residential Property	\$___ per unit
8	3,001 – 3,200 SF	Residential Property	\$___ per unit
9	2,801 – 3,000 SF	Residential Property	\$___ per unit
10	2,601 – 2,800 SF	Residential Property	\$___ per unit
11	2,401 – 2,600 SF	Residential Property	\$___ per unit
12	2,201 – 2,400 SF	Residential Property	\$___ per unit
13	2,001 – 2,200 SF	Residential Property	\$___ per unit
14	1,801 – 2,000 SF	Residential Property	\$___ per unit
15	< 1,801 SF	Residential Property	\$___ per unit
16	N/A	Non-Residential Property	\$_____ per Acre

Table 5A
Assigned Special Tax for Developed Property in Zone 5
Fiscal Year 2017-18

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 1,900 SF	Residential Property	\$___ per unit
2	1,701 – 1,900 SF	Residential Property	\$___ per unit
3	1,501 – 1,700 SF	Residential Property	\$___ per unit
4	1,301 – 1,500 SF	Residential Property	\$___ per unit
5	< 1,301 SF	Residential Property	\$___ per unit
6	N/A	Non-Residential Property	\$_____ per Acre

**Table 6A
Assigned Special Tax for Developed Property in Zone 6
Fiscal Year 2017-18**

Land Use Class	Residential Floor Area	Description	Assigned Special Tax
1	> 2,400 SF	Residential Property	\$___ per unit
2	2,001 – 2,400 SF	Residential Property	\$___ per unit
3	< 2,001 SF	Residential Property	\$___ per unit
4	N/A	Non-Residential Property	\$_____ per Acre

4. The Backup Special Tax for each Assessor’s Parcel of Developed Property shall equal an amount per Acre after such reduction as shown in Table 7A below.

**Table 7A
Backup Special Tax
Fiscal Year 2017-18**

Zone	Backup Special Tax
1	\$_____ per Acre
2	\$_____ per Acre
3	\$_____ per Acre
4	\$_____ per Acre
5	\$_____ per Acre
6	\$_____ per Acre

5. Upon execution of this certificate by CFD No. 2017-1, CFD No. 2017-1 shall cause an amended notice of Special Tax lien for IA No. 1 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. 2017-1, receipt of this certificate and modification of the Rate and Method of Apportionment as set forth in this certificate.

Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)

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

EXHIBIT C

CERTIFICATE OF NO REDUCTION IN SPECIAL TAXES

**Improvement Area No. 1
Community Facilities District No. 2017-1 of the County of Orange
(Village of Esencia)**

1. All calculations required pursuant to Section H of the Rate and Method of Apportionment have been made based upon a Price Point Study that was received by the CFD Administrator on _____.
2. Total Effective Tax Rate for all Plan Types in all Land Use Classes in all Zones is less than or equal to 2.00%
3. The Maximum Special Tax for Developed Property within IA No. 1, including the Assigned Special Taxes set forth in Sections C.1.(b) 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: [closing date of Bonds]

ATTACHMENT “B”

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE
(VILLAGE OF ESENCIA)
(IMPROVEMENT AREA NO. 2)**

A Special Tax as hereinafter defined shall be levied on all Assessor’s Parcels in Improvement Area No. 2 (“IA No. 2”) of Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (“CFD No. 2017-1”) and collected each Fiscal Year commencing in Fiscal Year 2017-18, 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. 2, 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. 2: 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, IA No. 2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the County, CFD No. 2017-1 or any designee thereof of complying with disclosure requirements of the County, IA No. 2 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the County, CFD No. 2017-1 or any designee thereof related to an appeal of any Special Tax levy; 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 by the CFD Administrator or advanced by the County or CFD No. 2017-1 for any other administrative purposes of IA No. 2, including attorney’s fees and other costs related to commencing and pursuing to completion any foreclosure action to collect delinquent Special Taxes.

“**Assessor’s Parcel**” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

“Assessor’s Parcel Map” means an official map of the Assessor of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C.1.(b) and Section C.1.(e) below.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.(d) and Section C.1.(e) below.

“Board” means the Board of Supervisors of the County of Orange, acting as the legislative body of CFD No. 2017-1.

“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. 2017-1 and secured by Special Taxes of IA No. 2 under the Act.

“CFD Administrator” means the County Executive Officer, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

“CFD No. 2017-1” means Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia).

“Conservation Property” means, for each Fiscal Year, any property within the boundaries of IA No. 2, excluding Property Owner Association Property, Public Property and Religious Property, that is subject to a declaration of irrevocable covenant, conservation easement deed, or similar document that was recorded restricting the use of such property to open space, habitat preservation, or other conservation purposes as of January 1 of the prior Fiscal Year. In order to ensure that such property is correctly classified as Conservation Property, the owner of such property shall provide the CFD Administrator with a copy of a declaration of irrevocable covenant, conservation easement deed, or similar document.

“County” means the County of Orange.

“Developed Floor Area” or **“FA”** means all of the square footage of enclosed area within the perimeter of a non-residential structure, not including any space devoted to vehicle parking and areas incident thereto. The determination of Developed Floor Area shall be made by reference to the building permit(s) issued for such Assessor’s Parcel.

“Developed Property” means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, for which a building permit for new construction was issued prior to January 1 of the prior Fiscal Year. Notwithstanding the foregoing, (a) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same property prior to the issuance of Bonds, then, the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, (b) if a building permit is revoked, expired or otherwise cancelled and a new building permit is issued for the same

property after the issuance of Bonds, and the amount of Assigned Special Taxes which may be levied pursuant to the new building permit is greater than the Assigned Special Taxes which may be levied pursuant to the original building permit, then the building square footage and building type as indicated on the new building permit shall thereafter be used for purposes of determining the Land Use Class, otherwise the Land Use Class pursuant to the original building permit shall continue to be used, and (c) if a building permit is revoked, expired or otherwise cancelled and no new building permit is issued for the same property, then the property will continue to be considered Developed Property and taxed based on the original building permit.

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

“Hotel/Motel Property” means, for property in Zone 1, all Assessor’s Parcels of Non-Residential Property for which a building permit has been issued by the County permitting the construction of non-residential facilities which are, or are expected by the County to be, primarily used as a place of lodging providing sleeping accommodations and related facilities for travelers.

“Hotel/Motel Room” means a room or suite used as a place of lodging located on an Assessor’s Parcel of Hotel/Motel Property as indicated on the building permit issued by the County or other applicable information as determined by the CFD Administrator.

“Improvement Area No. 2” or **“IA No. 2”** means Improvement Area No. 2 of CFD No. 2017-1.

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

“Industrial Property” means, for property in Zone 1, all Assessor’s Parcels of Non-Residential Property for which a building permit has been issued by the County permitting the construction of non-residential facilities which are, or are expected by the County to be, primarily used for manufacturing, production, research and development, storage and/or processing of goods.

“Institutional Property” means, for property in Zone 1, all Assessor’s Parcels of Non-Residential Property, excluding Religious Property, for which a building permit has been issued by the County permitting the construction of non-residential facilities which are, or are expected by the County to be, primarily used for child care or private schools.

“Land Use Class” means any of the classes within each Zone listed in Tables 1 and 2 below.

“Maximum Special Tax” means for each Fiscal Year for each Assessor’s Parcel, the maximum Special Tax, determined in accordance with Section C below, that can be levied on such Assessor’s Parcel in such Fiscal Year.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for a non-residential use.

“Office/Medical Property” means, for property in Zone 1, all Assessor’s Parcels of Non-Residential Property for which a building permit has been issued by the County permitting the construction of non-residential facilities which are, or are expected by the County to be, primarily used for professional and/or medical offices, including urgent care facilities.

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

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of IA No. 2 that is owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association as of January 1 of the prior Fiscal Year. Notwithstanding the foregoing, any property previously classified as Developed Property and subsequently owned in fee or by easement, or dedicated to, a property owner association, including any master or sub-association, shall remain classified as Developed Property.

“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 within IA No. 2. 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 in IA No. 2. For Taxable Conservation Property, Taxable Property Owner Association Property, and Taxable Religious 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 Taxable Conservation Property, Taxable Property Owner Association Property, or Taxable Religious Property, as applicable, in IA No. 2. For Taxable Public 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 Taxable Public Property, as applicable, in IA No. 2.

“Public Property” means, for each Fiscal Year, any property within the boundaries of IA No. 2 that is used for rights-of-way or any other purpose and is owned by, dedicated to, or irrevocably offered for dedication to the federal government, the State of California, the County or any other public agency as of January 1 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. In order to ensure that such property is correctly classified as Public Property, the owner of such property shall provide the CFD Administrator with a copy of any applicable documents.

“Religious Property” means, for each Fiscal Year, all property within the boundaries of IA No. 2 which (i) is either (a) used primarily as a place of worship or (b) vacant land or land under construction that is intended to be used primarily as a place of worship as determined by the CFD Administrator; and (ii) is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1 of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor’s Parcels used primarily for religious schools, day care centers, or congregate care facilities.

“Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

“Retail Property” means, for property in Zone 1, all Assessor’s Parcels of Non-Residential Property for which a building permit has been issued by the County permitting the construction of non-residential facilities excluding Institutional Property, Hotel/Motel Property, Industrial Property, and Office/Medical Property.

“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 for each Fiscal Year, that amount required for IA No. 2 to pay the sum of: (i) debt service on all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year; (ii) periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) Administrative Expenses; (iv) any amounts required to establish or replenish any reserve funds for all Outstanding Bonds or Bonds expected to be issued in such Fiscal Year by IA No. 2; and (v) any amounts required for construction of facilities eligible to be constructed or acquired by IA No. 2 under the Act provided that inclusion of such amount does not increase the amount of Special Taxes to be levied on Assessor’s Parcels of Undeveloped Property. In arriving at the Special Tax Requirement, the CFD Administrator shall take into account the reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year and shall give a credit for funds available to reduce the annual Special Tax levy.

“State” means the State of California.

“Taxable Conservation Property” means all Assessor’s Parcels of Conservation Property that are not exempt pursuant to Section E below.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of IA No. 2 which are not exempt from the Special Tax pursuant to law or Section E below.

“Taxable Property Owner Association Property” means all Assessor’s Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

“Taxable Public Property” means all Assessor’s Parcels of Public Property that are not exempt pursuant to Section E below.

“Taxable Religious Property” means all Assessor’s Parcels of Religious Property that are not exempt pursuant to Section E below.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

“Zone” means any one of the separate geographic areas within IA No. 2 designated on Exhibit A herein as: Zone 1 or Zone 2.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within Zones 1 and 2 of IA No. 2 shall be classified as Developed Property, Taxable Conservation Property, Taxable Public Property, Taxable Property Owner Association Property, Taxable Religious 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.

The Assigned Special Tax for Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the number of dwelling units located on the Assessor's Parcel. The Assigned Special Tax for Non-Residential Property shall be based on the Zone in which the Assessor's Parcel is located and the Acreage, Developed Floor Area, or number of Hotel/Motel Rooms for such Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE**1. Developed Property****a. Maximum Special Tax**

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone shall be the greater of (i) the amount derived by application of the Assigned Special Tax for such Zone or (ii) the amount derived by application of the Backup Special Tax for such Zone.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class within each Zone for Fiscal Year 2017-18 is shown below in Tables 1 and 2.

TABLE 1
Zone 1
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Description	Assigned Special Tax
1	Retail Property	\$2.80 per sq. ft. of FA
2	Office/Medical Property	\$2.30 per sq. ft. of FA
3	Industrial Property	\$1.00 per sq. ft. of FA
4	Institutional Property	\$1.00 per sq. ft. of FA
5	Hotel/Motel Property	\$300 per Hotel/Motel Room
6	Residential Property	\$25,961 per Acre

TABLE 2
Zone 2
For Fiscal Year 2017-18
Assigned Special Taxes for Developed Property

Land Use Class	Description	Assigned Special Tax
7	Non-Residential Property	\$22,000 per Acre
8	Residential Property	\$22,000 per Acre

c. Multiple Land Use Classes

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 on the portion of the Assessor's Parcel for which building permits had been issued prior to January 1 of the prior Fiscal Year and the portion of the Assessor's Parcel for which building permits had not been issued prior to January 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 that Assessor's Parcel.

d. Backup Special Tax

The Backup Special Tax in IA No. 2 shall equal an amount per Acre for each Zone as shown below in Table 3.

TABLE 3
All Zones
Fiscal Year 2017-18
Backup Special Tax

Zone	FY 2017-18 Backup Special Tax
1	\$25,961 per Acre
2	\$22,000 per Acre

e. Increase in the Assigned Special Tax and Backup Special Tax

On each July 1, commencing on July 1, 2018, the Assigned Special Tax and the Backup Special Tax for Developed Property shall be increased by an

amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

2. Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property within each Zone is shown below in Table 4.

TABLE 4
All Zones
Fiscal Year 2017-18
Maximum Special Taxes for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, or Undeveloped Property

Zone	FY 2017-18 Maximum Special Tax
1	\$25,961 per Acre
2	\$22,000 per Acre

b. Increase in the Maximum Special Tax

On each July 1, commencing on July 1, 2018, the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, Taxable Religious Property, and Undeveloped Property shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2017-18 and for each following Fiscal Year, the Board shall levy the Special Tax until the amount of Special Taxes levied 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 applicable 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 for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel;

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 Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property at up to the Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property and Taxable Religious Property, as applicable.

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

Notwithstanding the above, under no circumstances will the Special Tax levied in a Fiscal Year against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 2. 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 all other Assessor's Parcels shall continue in equal percentages at up to 100% of the Maximum Special Tax.

E. EXEMPTIONS

No Special Tax shall be levied on Conservation Property, Property Owner Association Property, Public Property, and/or Religious Property in Zones 1 and 2 up to the Acreage amounts shown in Table 5 below:

TABLE 5

Zone	Exempt Acreage
1	3.09 Acres
2	0.11 Acres

Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property within each Zone becomes Conservation Property, Property Owner Association Property, Public Property, or Religious Property. However, should an Assessor's Parcel no longer be classified as Conservation Property, Property Owner Association Property, Public Property, or Religious Property its tax-exempt status will be revoked and it will thereafter be classified as Developed Property or Undeveloped Property in accordance with Section C above.

Conservation Property, Property Owner Association Property, Public Property, or Religious Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth or fifth steps, as applicable, in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property.

F. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2017-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

Tenders of Bonds may be accepted for payment of Special Taxes upon the terms and conditions established by the Act and permitted by CFD No. 2017-1. The use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“CFD Public Facilities Cost” means either \$24.6 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. 2017-1 on behalf of IA No. 2 under the authorized bonding program for IA No. 2, 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 Taxes 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, for a Fiscal Year, the greater of 0% and 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 Cost 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. 2017-1 for IA No. 2 prior to the date of prepayment.

1. Prepayment in Full

The obligation to pay the Special Tax for an Assessor’s Parcel of Taxable Property 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 for such Assessor’s Parcel. The CFD Administrator may charge a reasonable fee for providing this figure.

The 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
<u>less</u>	<u>Capitalized Interest Credit</u>
equals	Prepayment Amount

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

Paragraph No.:

1. 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, 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. For Assessor’s Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, compute the Maximum Special Tax for the Assessor’s Parcel to be prepaid.
2. (a) For an Assessor’s Parcel of Developed Property or Undeveloped Property for which a building permit has been issued (i) Divide the Assigned Special Tax computed pursuant to paragraph 1 by the total estimated Assigned Special Taxes for

the entire IA No. 2 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 2, excluding any Assessor's Parcels for which the Special Taxes have been prepaid, and (ii) Divide the Backup Special Tax computed pursuant to paragraph 1 by the total estimated Backup Special Taxes for the entire IA No. 2 based on the Backup Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 2, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

(b) For Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, divide the Maximum Special Tax computed pursuant to paragraph 1 by the total estimated Maximum Special Tax for the entire IA No. 2 based on the Maximum Special Tax which could be charged in the current Fiscal Year on all expected development through buildout of IA No. 2, excluding any Assessor's Parcels for which the Special Taxes have been prepaid.

3. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
5. Compute the current Future Facilities Costs.
6. Multiply the larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, by the amount determined pursuant to paragraph 5 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
7. 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.
8. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the 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 7 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of IA No. 2, 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 (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, 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 larger of quotient (i) and (ii) computed pursuant to paragraph 2(a) for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, or the quotient computed pursuant to paragraph 2(b) for Assessor's Parcels of Undeveloped Property for which a building permit has not been issued, Taxable Conservation Property, Taxable Property Owner Association Property, Taxable Public Property, or Taxable Religious Property, 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 3, 4, 6, 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 3, 4, 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 6 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 2017-1.

The 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 for which the Special Tax is prepaid, the Board shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation to pay the Special Tax for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), 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 (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed prepayment, less expected Administrative Expenses, shall be at least equal to 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.

2. Prepayment in Part

The Special Tax for an Assessor's Parcel of Developed Property and/or Undeveloped Property may be partially prepaid. The amount of the prepayment shall be calculated as in Section G.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 amount
P _E	=	the Prepayment Amount calculated according to Section G.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 for which the Special Tax is partially prepaid, CFD No. 2017-1 shall (i) distribute the funds remitted to it according to Section G.1, and (ii) indicate in the records of CFD No. 2017-1 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 applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D. Furthermore, for Undeveloped Property that has been partially prepaid, the outstanding percentage (1.00 - F) of the applicable Assigned Special Tax, Backup Special Tax, and Maximum Special Tax shall continue to apply to such Assessor's Parcel after such Assessor's Parcel is considered Developed Property.

Notwithstanding the foregoing, no partial prepayment will be allowed unless (i) the amount of Maximum Special Tax that may be levied on Taxable Property (based on expected development at build out), after the proposed partial 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 (ii) the amount of Maximum Special Tax that may be levied on non-delinquent Taxable Property (based on expected development at build out) after the proposed partial prepayment, less expected Administrative Expenses, shall be at least equal to 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.

H. TERM OF SPECIAL TAX

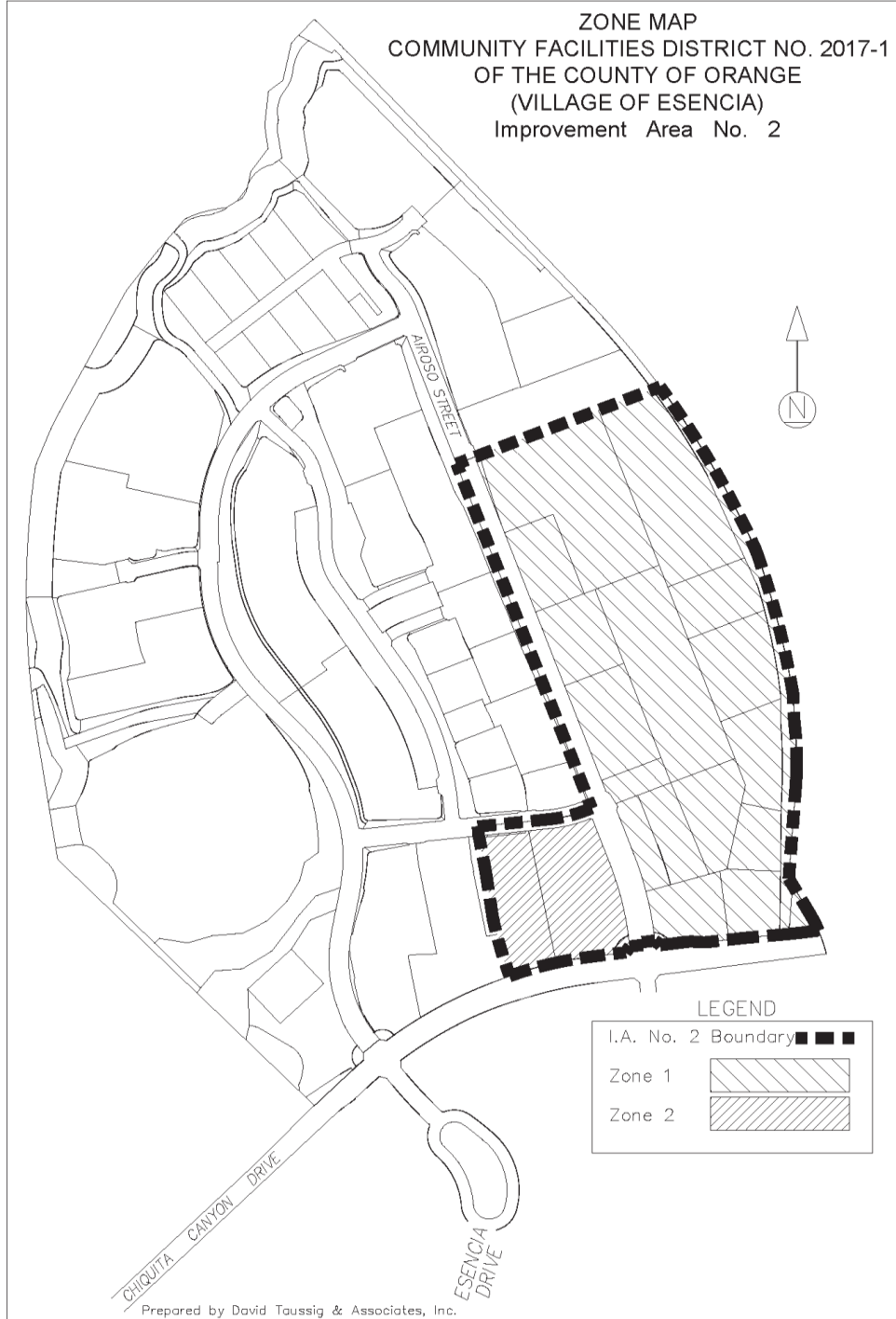
The Special Tax shall be levied on an Assessor's Parcel for a period not to exceed forty years from the Fiscal Year in which such Assessor's Parcel first becomes Developed Property.

I. DETERMINATIONS OF CFD ADMINISTRATOR CONSIDERED FINAL

Any determinations made by CFD Administrator under terms of this Rate and Method of Apportionment shall be final.

EXHIBIT A

ZONE DESIGNATION



ATTACHMENT “C”**Types of Facilities
to Be Financed by Community
Facilities District No. 2017-1**

The proposed types of public facilities and expenses to be financed by the District and each Improvement Area therein include:

The construction, purchase, modification, expansion and/or improvement of certain roadways and roadway improvements (including, without limitation, the Foothill Transportation Corridor improvements and the South County Roadway Improvement Program), tunnels, regional hiking and biking trails, storm drains, water and wastewater facilities (including, without limitation, domestic and non-domestic water facilities, wells, reservoirs, pipelines, storm and sewer drains and related infrastructure and improvements), wet and dry utilities, bridges and pedestrian bridges, parks, traffic signals, school sites, facilities and equipment, sheriff’s substations and equipment and library facilities and equipment, and related infrastructure improvements, both onsite and offsite, and all appurtenances and appurtenant work in connection with the foregoing (including utility line relocations and electric, gas and cable utilities) (the “Facilities”), and to finance the incidental expenses to be incurred, including:

- a. The cost of engineering, planning and designing the Facilities;
- b. All costs, including costs of the property owner petitioning for formation of the District, associated with the creation of the District, the issuance of the bonds, the determination of the amount of special taxes to be levied and costs otherwise incurred in order to carry out the authorized purposes of the District; and
- c. Any other expenses incidental to the construction, acquisition, modification, rehabilitation, completion and inspection of the Facilities.

ATTACHMENT “D”

BALLOT PROPOSITIONS

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)**

IMPROVEMENT AREA NO. 1

SPECIAL TAX AND SPECIAL BOND ELECTION

_____, 2017

PROPOSITION A: Shall Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the “District”) incur an indebtedness and issue bonds in the maximum principal amount of \$98,000,000 for Improvement Area No. 1 therein (the “Improvement Area”), with interest at a rate or rates not to exceed the maximum interest rate permitted by law, to finance the Facilities and the Incidental Expenses described in Resolution No. 17-___ of the Board of Supervisors of the County of Orange establishing the District?

YES _____

NO _____

PROPOSITION B: Shall a special tax with a rate and method of apportionment for the Improvement Area as provided in Resolution No. 17-___ of the Board of Supervisors of the County of Orange establishing the District be levied to pay for the Facilities, Incidental Expenses and other purposes described in Resolution No. 17-___, including the payment of the principal of and interest on bonds issued by the District for the Improvement Area to finance the Facilities and Incidental Expenses?

YES _____

NO _____

PROPOSITION C: For each year commencing with Fiscal Year 2017-2018, shall the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the District be an amount equal to \$12,600,000?

YES _____

NO _____

ATTACHMENT "E"

BALLOT PROPOSITIONS

**COMMUNITY FACILITIES DISTRICT NO. 2017-1
OF THE COUNTY OF ORANGE (VILLAGE OF ESENCIA)**

IMPROVEMENT AREA NO. 2

SPECIAL TAX AND SPECIAL BOND ELECTION

_____, 2017

PROPOSITION A: Shall Community Facilities District No. 2017-1 of the County of Orange (Village of Esencia) (the "District") incur an indebtedness and issue bonds in the maximum principal amount of \$28,000,000 for Improvement Area No. 2 therein (the "Improvement Area"), with interest at a rate or rates not to exceed the maximum interest rate permitted by law, to finance the Facilities and the Incidental Expenses described in Resolution No. 17-___ of the Board of Supervisors of the County of Orange establishing the District?

YES _____

NO _____

PROPOSITION B: Shall a special tax with a rate and method of apportionment for the Improvement Area as provided in Resolution No. 17-___ of the Board of Supervisors of the County of Orange establishing the District be levied to pay for the Facilities, Incidental Expenses and other purposes described in Resolution No. 17-___, including the payment of the principal of and interest on bonds issued by the District for the Improvement Area to finance the Facilities and Incidental Expenses?

YES _____

NO _____

PROPOSITION C: For each year commencing with Fiscal Year 2017-2018, shall the appropriations limit, as defined by subdivision (h) of Section 8 of Article XIII B of the California Constitution, for the District be an amount equal to \$12,600,000?

YES _____

NO _____