AMENDED AND RESTATED RATE AND METHOD OF APPORTIONMENT FOR IMPROVEMENT AREA NO. 2 OF CITY OF AZUSA COMMUNITY FACILITIES DISTRICT NO. 2005-1 (ROSEDALE)

Special Taxes as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 2 ("IA No. 2") of the City of Azusa Community Facilities District No. 2005-1 (Rosedale) ("CFD No. 2005-1") and collected each Fiscal Year commencing in Fiscal Year 2012-2013, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," "Other Taxable Property," and "Undeveloped Property" as described below. All of the 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

This Amended and Restated Rate and Method of Apportionment employs terms defined below and terms defined in the Rate and Method of Apportionment for Improvement Area No. 1. When necessary, terms defined in the latter shall be distinguished from terms defined in the former by including the words "IA No. 1" prior to the defined term. The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the area is not shown on an Assessor's Parcel Map, the 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 and each Zone therein: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the City 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 City, IA No. 2 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, IA No. 2 or any designee thereof of complying with City, IA No. 2 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes or the Bonds; the costs of the City, IA No. 2 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; that portion of the City's overhead and staff time related to the administration of IA No. 2; and the City's third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or IA No. 2 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 of 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.

"Backup Special Tax A" means a special tax payable by a property owner that may be required to be paid subsequent to the issuance of the first series of Bonds as a result of changes in development, as determined in accordance with Section D below.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by IA No. 2 under the Act.

"Builder" means an entity which owns a residential dwelling unit immediately prior to the issuance of a Certificate of Occupancy, and then enters into a contract to sell that dwelling unit for its Value to an Original Homeowner.

"Certificate of Occupancy" means a document issued by the City which permits the initial habitation of one or more newly constructed residential dwelling units or non-residential space.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services, and providing for the levy and collection of the Special Taxes.

"CFD No. 2005-1" means City of Azusa Community Facilities District No. 2005-1 (Rosedale).

"City" means the City of Azusa.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 2005-1.

"County" means the County of Los Angeles.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Property Owner Association Property or Taxable Public Property, for which a building permit for new construction was issued after January 1, 2006 and as of May 1 of the previous Fiscal Year.

"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. 2005-1, as identified on the boundary map for CFD No. 2005-1, and includes each zone therein.

"Improvement Area No. 2" or **"IA No. 2"** means Improvement Area No. 2 of CFD No. 2005-1, as identified on the boundary map for CFD No. 2005-1, and includes each Zone therein.

"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.

"Land Use Class" means any of the classes listed in Table 1, Table 2, or Table 4.

"Maximum Special Tax" means the Maximum Special Tax A and/or Maximum Special Tax B, as applicable.

"Maximum Special Tax A" means the Maximum Special Tax A, determined in accordance with Section C.1 below, that can be levied in any Fiscal Year on an Assessor's Parcel within IA No. 2.

"Maximum Special Tax B" means the Maximum Special Tax B, determined in accordance with Section C.2 below, that can be levied in any Fiscal Year on an Assessor's Parcel within IA No. 2.

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

"One-Time Special Tax" means a one-time special tax payable by a Builder prior to issuance of a Certificate of Occupancy for a residential dwelling unit in order to reduce the Maximum Special Tax A on such dwelling unit, so that the Total Tax and Assessment Obligation for the Fiscal Year in which a Certificate of Occupancy for such residential dwelling unit is expected to be issued will not exceed two percent (2.00%) of the Value of such residential dwelling unit.

"Original Homeowner" means the first homeowner expected to purchase and close escrow on a residential dwelling unit from a Builder after the issuance of a Certificate of Occupancy.

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

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

"Planning Area" means a geographic area within IA No. 2 which has been designated as a Planning Area as identified in Exhibit A herein.

"Post-Bond Certificate of Occupancy" means a Certificate of Occupancy that is issued after the issuance of the first series of Bonds.

"Property Owner Association Property" means, for each Fiscal Year, any Assessor's Parcel within the boundaries of IA No. 2 that was owned by or irrevocably offered for dedication to a property owner association, including any master or sub-association, as of January 1 of the previous Fiscal Year.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax A levy to the Maximum Special Tax A is equal for all Assessor's Parcels of Developed Property and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor's Parcels of Developed Property, except to the extent that the Special Tax levy on Residential Property is limited as described in Section G below. For Undeveloped Property and Other Taxable Property, "Proportionately" means that the ratio of the actual Special Tax A levy per Acre to the Maximum Special Tax A per Acre is equal for all Assessor's Parcels of Undeveloped Property or Other Taxable Property and that the ratio of the actual Special Tax B levy to the Maximum Special Tax B is equal for all Assessor's Parcels of Undeveloped Property or Other Taxable Property.

"Public Property" means, for each Fiscal Year, (i) any property within the boundaries of IA No. 2 that was owned by or irrevocably offered for dedication to the federal government, the State, the City or any other public agency as of January 1 of the previous 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; or (ii) any property within the boundaries of CFD No. 2005-1 that was encumbered, as of January 1 of the previous Fiscal Year, by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement.

"Residential Floor Area" for any Residential Property 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 CFD Administrator shall determine the Residential Floor Area of each dwelling unit based on the building permit, condominium plan, or other available information.

"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.

"RMA" means this Amended and Restated Rate and Method of Apportionment.

"Special Tax" means the Special Tax A, Special Tax B, Backup Special Tax A, and/or One-Time Special Tax, as applicable.

"Special Tax A" 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 for Facilities.

"Special Tax B" means the annual special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement for Services.

"**Special Tax Requirement for Facilities**" means that amount required in any Fiscal Year for IA No. 2 to: (i) pay debt service on all Outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay all or a portion of Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities eligible under the Act and authorized to be financed in IA No. 2 to the extent that inclusion of such amount does not increase the Special Tax A levy on Undeveloped Property; and (vi) pay for reasonably anticipated Special Tax A delinquencies based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax A levy, as determined by the CFD Administrator pursuant to the Indenture.

"**Special Tax Requirement for Services**" means that amount required in any Fiscal Year for CFD No. 2005-1 to: (i) pay directly for all public services eligible under the Act; (ii) pay Administrative Expenses not funded through the Special Tax Requirement for Facilities as determined by the CFD Administrator and IA No. 1 Administrative Expenses not funded through the IA No. 1 Special Tax Requirement for Facilities; less (iii) a credit for funds available to reduce the annual Special Tax B levy and the IA No. 1 Special Tax B levy, as determined by the CFD Administrator. The Special Tax Requirement for Services represents the total amount to be levied in any Fiscal Year within IA No. 1 and IA No. 2.

"**State**" means the State of California.

"**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 H below.

"**Taxable Property Owner Association Property**" means all Assessor's Parcels of Property Owner Association Property that are not exempt from the Special Tax pursuant to Section H below.

"**Taxable Public Property**" means all Assessor's Parcels of Public Property that are not exempt from the Special Tax pursuant to Section H below.

"**Total Tax and Assessment Obligation**" means for any residential dwelling unit, the sum of the projected *ad valorem* taxes and any other charges, special assessments, or taxes which are expected to be included on the annual property tax bill for the Fiscal Year in which the calculation is being performed assuming such residential dwelling unit had been completed, sold, and subject to such levies and impositions in such Fiscal Year. For purposes of this calculation, the CFD Administrator shall include the Maximum Special Tax A and Maximum Special Tax B for CFD No. 2005-1 plus estimated amounts for all other items expected to appear on the property tax bill.

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

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

"**Value**" means the full sales price of a residential dwelling unit as determined prior to the close of escrow by the Builder and the Original Homeowner, as listed on the preliminary escrow closing statement prepared by the title company for such sale, or if such preliminary escrow closing statement is unavailable, as reasonably determined by the CFD Administrator.

"**Zone**" means Zone 1 and/or Zone 2, as applicable.

"**Zone 1**" means the property identified as Zone 1 (Great Park and Transit 1) of IA No. 2, as identified on the boundary map for CFD No. 2005-1.

"**Zone 2**" means the property identified as Zone 2 (Transit 2) of IA No. 2, as identified on the boundary map for CFD No. 2005-1.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within IA No. 2 shall be assigned to Zone 1 or Zone 2 and classified as Developed Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this RMA. Developed Property shall be classified as Residential Property and Non-Residential Property.

C. MAXIMUM SPECIAL TAX RATE

1. Special Tax A

a. Developed Property

Residential Property in Zone 1 shall be assigned to Land Use Classes 1 through 5 in Table 1, and Non-Residential Property in Zone 1 shall be assigned to Land Use Class 6 in Table 1. Residential Property in Zone 2 shall be assigned to Land Use Classes 1 through 3 in Table 2, and Non-Residential Property in Zone 2 shall be assigned to Land Use Class 4 in Table 2. The Maximum Special Tax A for Residential Property shall be based on the number of residential dwelling units and the Residential Floor Area of such residential dwelling units located on the Assessor's Parcel. The Maximum Special Tax A for Non-Residential Property shall be based on the Acreage of the Assessor's Parcel.

The Maximum Special Tax A as set forth in Sections C.1.(a)(i) and C.1.(a)(ii) below may be reduced in accordance with, and subject to the conditions set forth in, Section F below.

(i) Maximum Special Tax A – Zone 1

The Fiscal Year 2012-2013 Maximum Special Tax A for each Land Use Class within Zone 1 is shown below in Table 1.

TABLE 1
Maximum Special Tax A for Developed Property
Fiscal Year 2012-2013
Zone 1

Land Use Class	Description	Residential Floor Area	Zone 1 (Great Park and Transit 1) Maximum Special Tax A
1	Residential Property	> 1,950 SF	$2,948 per dwelling unit
2	Residential Property	1,751 – 1,950 SF	$2,719 per dwelling unit
3	Residential Property	1,551 – 1,750 SF	$2,420 per dwelling unit
4	Residential Property	1,401 – 1,550 SF	$2,178 per dwelling unit
5	Residential Property	< 1,401 SF	$1,986 per dwelling unit
6	Non-Residential Property	NA	$15,000 per Acre

On each July 1, commencing July 1, 2013, the Maximum Special Tax A for each Land Use Class shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(ii) Maximum Special Tax A – Zone 2

The Fiscal Year 2012-2013 Maximum Special Tax A for each Land Use Class within Zone 2 is shown below in Table 2.

TABLE 2
Maximum Special Tax A for Developed Property
Fiscal Year 2012-2013
Zone 2

Land Use Class	Description	Residential Floor Area	Zone 2 (Transit 2) Maximum Special Tax A
1	Residential Property	> 1,300 SF	$2,179 per dwelling unit
2	Residential Property	1,201 – 1,300 SF	$2,069 per dwelling unit
3	Residential Property	< 1,201 SF	$1,886 per dwelling unit
4	Non-Residential Property	NA	$15,000 per Acre

On each July 1, commencing July 1, 2013, the Maximum Special Tax A for each Land Use Class shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

b. Undeveloped Property and Other Taxable Property

The Fiscal Year 2012-2013 Maximum Special Tax A for Undeveloped Property and Other Taxable Property within each Zone is shown below in Table 3.

TABLE 3
Maximum Special Tax A for
Undeveloped Property and Other Taxable Property
Fiscal Year 2012-2013
Zone 1 and Zone 2

Zone	FY 2012-2013 Maximum Special Tax A
1	$127,870 per Acre
2	$146,625 per Acre

On each July 1, commencing July 1, 2013, the Maximum Special Tax A for Undeveloped Property and Other Taxable Property in Zone 1 and Zone 2 shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(iv) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax A that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax A that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Special Tax B

a. Developed Property

(i) Maximum Special Tax B

The Fiscal Year 2012-2013 Maximum Special Tax B for each Assessor's Parcel classified as Developed Property in Zone 1 and Zone 2 shall be the amount shown below in Table 4.

TABLE 4
Maximum Special Tax B for Developed Property
Fiscal Year 2012-2013
Zone 1 and Zone 2

Land Use Class	Description	Zone 1 FY 2012-2013 Maximum Special Tax B	Zone 2 FY 2012-2013 Maximum Special Tax B
1	Residential Property	$345.35 per dwelling unit	$326.17 per dwelling unit
2	Non-Residential Property	$4,907.78 per Acre	$4,887.67 per Acre

On each July 1, commencing July 1, 2013, the Maximum Special Tax B for Developed Property in Zone 1 and Zone 2 shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

(ii) Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax B levied on an Assessor's Parcel shall be the sum of the Maximum Special Tax B for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each land use as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

b. Undeveloped Property

The Fiscal Year 2012-2013 Maximum Special Tax B for Undeveloped Property within each Zone is shown below in Table 5.

TABLE 5
Maximum Special Tax B for Undeveloped Property Fiscal Year 2012-2013 Zone 1 and Zone 2

Zone	FY 2012-2013 Maximum Special Tax B
1	$1,997.20 per Acre
2	$1,997.20 per Acre

On each July 1, commencing July 1, 2013 the Maximum Special Tax B for Undeveloped Property in Zone 1 and Zone 2 shall be increased by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

c. Property Owner Association Property and Public Property

There shall be no Special Tax B levied on Property Owner Association Property and Public Property.

D. BACKUP SPECIAL TAX A

All of the requirements of this Section D, which describes the need for a Backup Special Tax A payment resulting from a change in development, shall only apply after the issuance of the first series of Bonds. Prior to the issuance of the first series of Bonds, no Backup Special Tax A calculation shall be necessary and no Backup Special Tax A payment shall be required.

Prior to the issuance of a Post-Bond Certificate of Occupancy for an Assessor's Parcel of Developed Property (the "Subject Property"), the CFD Administrator shall make a determination of whether or not a Backup Special Tax A payment is required for the Planning Area in which the Subject Property is located. The CFD Administrator shall charge a fee for providing this determination and shall follow the steps listed below.

Step No.:

1. Required Special Tax A Revenues

As of the date of the issuance of any series of Bonds, the Required Special Tax A Revenues for IA No. 2 shall be established to equal (i) 1.1 times the discounted maximum annual gross debt service for all Outstanding Bonds (including those Bonds currently being issued, if any), which shall be computed by determining the Fiscal Year in which occurs the maximum aggregate annual gross debt service for all Bonds and discounting that amount from such Fiscal Year to the current Fiscal Year using a discount rate reflecting the actual rate of increase (if any) of the debt service on the Bonds, plus (ii) anticipated Administrative Expenses in the next Fiscal Year. The CFD Administrator shall allocate such Required Special Tax A Revenues to each Planning Area based on the current Expected Special Tax A Revenues and identify such allocation in the records of IA No. 2. Such allocation shall remain valid except as adjusted under 1.(a) or 1.(b) below:

(a) On each July 1, the Required Special Tax A Revenues for each Planning Area shall be increased by an amount equal to the annual percentage increase in the debt service on the Bonds.

(b) The CFD Administrator shall reduce the Required Special Tax A Revenues for any Planning Area as necessary to reflect reduced revenues required as a result of a Backup Special Tax A payment, One-Time Special Tax payment, or prepayment made with respect to an Assessor's Parcel in such Planning Area.

2. Expected Special Tax A Revenues

Prior to the issuance of a Post-Bond Certificate of Occupancy for the Subject Property, the CFD Administrator shall estimate the Expected Special Tax A Revenues that will be generated at buildout of the Planning Area in which the Subject Property is located based on the Maximum Special Tax A rates then in effect and the current development plan for such Planning Area based on building permits issued to date, expected building permits to be issued in the future, and all other relevant development information available to the CFD Administrator.

3. Determination of Need for Backup Special Tax

If the CFD Administrator determines that the Expected Special Tax A Revenues that will be generated at buildout in the Planning Area in which the Subject Property is located are less than such Planning Area's Required Special Tax A Revenues (as adjusted to the date of calculation), then a Backup Special Tax A payment will be required for such Planning Area. However, if it is determined that the Expected Special Tax A Revenues are greater than or equal to the Planning Area's Required Special Tax A Revenues (as adjusted to the date of calculation), then no Backup Special Tax A payment will be required.

4. Calculation of Backup Special Tax

If a Backup Special Tax A payment is required pursuant to step 3 above, such payment shall equal that Prepayment Amount calculated pursuant to Section K.3.

5. **Payment**

The Backup Special Tax A computed under this section shall be paid by the owner of the Subject Property prior to the issuance of the Certificate of Occupancy for the Subject Property.

E. ONE-TIME SPECIAL TAX

Prior to the issuance of a Certificate of Occupancy for a residential dwelling unit, the CFD Administrator shall make a one-time determination of whether or not a One-Time Special Tax payment is required for such dwelling unit. The CFD Administrator shall charge a fee for providing this determination.

A One-Time Special Tax payment shall be paid by the Builder for a residential dwelling unit if the Total Tax and Assessment Obligation is expected to be greater than two percent (2.00%) of the Value for such residential dwelling unit. The amount of the One-Time Special Tax for such residential dwelling unit shall equal that Partial Prepayment Amount calculated pursuant to Section K.2 which shall be sufficient to reduce the Total Tax and Assessment Obligation to two percent (2.00%) of the Value for such residential dwelling unit.

If the Total Tax and Assessment Obligation for a residential dwelling unit is expected to be less than or equal to two percent (2.00%) of the Value of such residential dwelling unit, no One-Time Special Tax will be required.

F. SPECIAL TAX REDUCTION

Any Special Tax Reduction determined pursuant to this section will not apply to dwelling units for which One-Time Special Tax calculations were prepared prior to the date of the Price Point Study, whether or not such calculations resulted in a One-Time Special Tax payment.

The following definitions apply to this Section F:

"Independent Price Point Consultant" means any consultant or firm of such consultants selected by CFD No. 2005-1 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. 2005-1 or the City, (d) does not have any substantial interest, direct or indirect, with or in (i) CFD No. 2005-1, (ii) the City, (iii) any owner of real property in CFD No. 2005-1, or (iv) any real property in CFD No. 2005-1, and (e) is not connected with CFD No. 2005-1 or the City as an officer or employee thereof, but who may be regularly retained to make reports to CFD No. 2005-1 or the City.

"Plan Type" means a discrete residential plan type (generally consisting of residential dwelling units that share a common product type (e.g., single family, multi-family, senior) and that have nearly identical amounts of living area) that is constructed or expected to be constructed within a Planning Area of IA No. 2 as identified in the Price Point Study.

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

"Price Point Study" means a price point study or a letter updating a previous price point study, which (a) has been prepared by an Independent Price Point Consultant, (b) sets forth the Plan Types constructed or expected to be constructed within IA No. 2, (c) sets forth the estimated number of constructed and expected residential dwelling units for each Plan Type, (d) sets forth such Independent Price Point Consultant's estimate of the Price Point for each Plan Type, and (e) uses a date for establishing such Price Points that is no earlier than 60 days prior to the date the Price Point Study is delivered to the CFD Administrator. Dwelling units for which One-Time Special Tax calculations have been prepared previously will not be included in the Price Point Study.

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

Step No.:

1. At least 30 days prior to the expected issuance date of the first series of Bonds, IA No. 2 shall cause a Price Point Study to be delivered to the CFD Administrator.

2. As soon as practicable after receipt of the Price Point Study, the CFD Administrator shall calculate the Total Tax and Assessment Obligation for each Plan Type included in the Price Point Study.

3. The CFD Administrator shall determine the Expected Special Tax A Revenues for each Planning Area by taking the sum of the Maximum Special Tax A revenues expected to be generated at buildout based on building permits issued to date, expected future development identified in the Price Point Study, and all other relevant development information available to the CFD Administrator

4. Separately, for each Land Use Class, the CFD Administrator shall determine whether or not the Total Tax and Assessment Obligation for all Plan Types in a Land Use Class is less than or equal to 2.00% of the Price Point for such Plan Type.

   a. If the Total Tax and Assessment Obligation for all Plan Types in a Land Use Class is less than or equal to 2.00% of the Price Point for such Plan Type, then there shall be no change in the Maximum Special Tax A for such Land Use Class.

   b. If the Total Tax and Assessment Obligation for any Plan Type in a Land Use Class is greater than 2.00% of the Price Point for such Plan Type, the CFD Administrator shall calculate a revised Maximum Special Tax A for such Land

Use Class, which revised Maximum Special Tax A shall be the highest amount (rounded to the nearest whole dollar) that will not cause the Total Tax and Assessment Obligation for any Plan Type in such Land Use Class to exceed 2.00% of the Price Point for such Plan Type. The amount of the change in the Maximum Special Tax A for a particular Land Use Class is not required to be proportional to changes in the Maximum Special Tax A made for other Land Use Classes.

5. If the Maximum Special Tax A for any Land Use Class is revised pursuant to step 4.b. 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. 2005-1. The Certificate of Reduction in Special Taxes shall be completed for all Land Use Classes and shall set forth, as applicable, either (i) the reduced Maximum Special Tax A for a Land Use Class as calculated pursuant to step 4.b., or (ii) the Maximum Special Tax A as identified in Table 1 or Table 2 in Section C.1.(a) for a Land Use Class that was not revised as determined pursuant to step 4.a.

6. If the first series of Bonds is issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, CFD No. 2005-1 shall execute the acknowledgement on such Certificate of Reduction in Special Taxes, dated as of the date of such issuance, and, upon the issuance of such first series of Bonds, the Maximum Special Tax A for each Land Use Class shall, *ipso facto*, be, for all purposes, as set forth in such Certificate of Reduction in Special Taxes (except for Assessor's Parcels excluded from the reduction as identified in Attachment B to the Certificate of Reduction in Special Taxes). If the first series of Bonds is not issued within 90 days of the date of receipt of the Price Point Study by the CFD Administrator, such Certificate of Reduction in Special Taxes shall not be acknowledged by CFD No. 2005-1 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. 2005-1 of the acknowledgement on the Certificate of Reduction in Special Taxes, CFD No. 2005-1 shall cause to be recorded in the records of the County Recorder an Amended Notice of Special Tax Lien for IA No. 2 reflecting the Maximum Special Tax A for all Land Use Classes set forth in such Certificate of Reduction in Special Taxes only for those Assessor's Parcels listed in Exhibit A to such notice (Assessor's Parcels for which a One-Time Special Tax was not previously calculated).

8. If the Maximum Special Tax A is not required to be changed for each Land Use Class based on the calculations performed above, there shall be no reduction in the Maximum Special Tax A, and no Certificate of Reduction in Special Taxes shall be required. However the CFD Administrator shall prepare and deliver to CFD No. 2005-1 a Certificate of No Reduction in Special Taxes substantially in the form of

Exhibit C hereto dated as of the date of the issuance of the first series of Bonds that states that the calculations required pursuant to this Section F have been made and that no changes to the Maximum Special Tax A are necessary.

9. CFD No. 2005-1 and the CFD Administrator shall take no further actions under this Section F upon the earlier to occur of the following: (i) the execution of the acknowledgement by CFD No. 2005-1 on a Certificate of Reduction in Special Taxes pursuant to step 6 above; or (ii) the delivery by the CFD Administrator of a Certificate of No Reduction in Special Taxes pursuant to step 8 above.

G. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

1. Special Tax A

Commencing with Fiscal Year 2012-2013 and for each following Fiscal Year, the Council shall levy the Special Tax A until the amount of Special Tax A equals the Special Tax Requirement for Facilities. The Special Tax A shall be levied each Fiscal Year as follows:

First: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property in Zone 1 and Zone 2 at up to 100% of the applicable Maximum Special Tax A as needed to satisfy the Special Tax Requirement for Facilities;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first step has been completed, the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in Zone 1 and Zone 2 at up to 100% of the Maximum Special Tax A for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Other Taxable Property in Zone 1 and Zone 2 at up to the Maximum Special Tax A for Other Taxable Property.

2. Special Tax B

Commencing with Fiscal Year 2012-2013 and for each following Fiscal Year, the Council shall determine the Special Tax Requirement for Services and levy the Special Tax B, taking into consideration the levy of the IA No. 1 Special Tax B, until the amount of Special Tax B and IA No. 1 Special Tax B equals the Special Tax Requirement for Services. The Special Tax B shall be levied each Fiscal Year as follows:

First: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property in Zone 1 and Zone 2 at up to 100% of the applicable Maximum Special Tax B as needed to satisfy the Special Tax Requirement for Services; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax B shall be levied on each Assessor's Parcel of IA No. 1 Developed

Property in Zone 1 and Zone 2 at up to 100% of the applicable IA No. 1 Maximum Special Tax B as needed to satisfy the Special Tax Requirement for Services;

Second: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property in Zone 1 and Zone 2 at up to 100% of the Maximum Special Tax B for Undeveloped Property; the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax B shall be levied Proportionately on each Assessor's Parcel of IA No. 1 Undeveloped Property in Zone 1 and Zone 2 at up to 100% of the IA No. 1 Maximum Special Tax B for Undeveloped Property.

3. **Backup Special Tax A**

The Backup Special Tax A payment may be levied on any Assessor's Parcel as required in Section D.

4. **One-Time Special Tax**

The One-Time Special Tax may be levied on any Assessor's Parcel as required in Section E.

Notwithstanding the above, under no circumstances will the Special Tax A or Special Tax B levied in any Fiscal Year against any Assessor's Parcel of Residential Property be increased as a consequence of delinquency or default by the owner or owners of any other Assessor's Parcel(s) within IA No. 2 by more than 10% above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults. To the extent that the levy of the Special Tax A or Special Tax B on Residential Property is limited by the provision in the previous sentence, the levy of the Special Tax A or Special Tax B on each Assessor's Parcel of Non-Residential Property shall continue in equal percentages at up to 100% of the Maximum Special Tax.

H. EXEMPTIONS

1. **Special Tax A**

No Special Tax A shall be levied on up to 20.36 Acres of Property Owner Association Property and Public Property in Zone 1 and up to 7.35 Acres of Property Owner Association Property and Public Property in Zone 2. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property or Public Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property or Public Property its tax-exempt status will be revoked.

Property Owner Association Property or Public Property that is not exempt from Special Tax A under this section shall be subject to the levy of the Special Tax A and shall be taxed Proportionately as part of the third step in Section G.1 above, at up to 100% of the applicable Maximum Special Tax A for Other Taxable Property.

2. Special Tax B

No Special Tax B shall be levied on Property Owner Association Property and Public Property.

I. APPEALS AND INTERPRETATIONS

Any landowner or resident may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall eliminate or reduce the Special Tax on the appellant's property and/or provide a refund to the appellant. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the Council by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

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

J. MANNER OF COLLECTION

The Special Tax A and Special Tax B shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that IA No. 2 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.

The Backup Special Tax A and One-Time Special Tax shall be paid directly to the City by, or on behalf of, the Builder or property owner.

K. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section K:

"CFD Public Facilities" means either $11.5 million in 2012 dollars, which shall increase by the Construction Inflation Index on July 1, 2013, 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 IA No. 2 under the authorized bonding program for IA No. 2, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more Bonds to be supported by Special Taxes levied under this Amended and Restated Rate and Method of Apportionment.

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

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

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

"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 IA No. 2 prior to the date of prepayment.

1. Prepayment in Full

The obligation of an Assessor's Parcel to pay the Special Tax A may be prepaid and permanently satisfied as described herein; provided that a prepayment may be made only for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax A obligation shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount of such Assessor's Parcel. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must be made not less than 45 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

The 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>
Total:	equals	Prepayment Amount

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

<u>Paragraph No.:</u>

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax A. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Maximum Special Tax A for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.

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

4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").

6. Compute the current Future Facilities Costs.

7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").

8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.

9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.

10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount

and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").

12. Verify the administrative fees and expenses of 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 ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associate with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax A prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").

16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Improvement Fund. The amount computed pursuant to paragraph 12 shall be retained by IA No. 2.

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

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Maximum Special Tax A 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 such prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

The Special Tax B may not be prepaid.

2. Prepayment in Part

The Special Tax A on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The Partial Prepayment Amount shall be calculated as in Section K.1; except that a partial prepayment shall be calculated according to the following formula:

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

These terms have the following meaning:

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

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 A and the percentage by which the Special Tax A 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 A for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section K.1, and (ii) indicate in the records of IA No. 2 that there has been a partial prepayment of the Special Tax A and that a portion of the Special Tax A with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section G.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Maximum Special Tax A 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 such partial prepayment will not impair the security of all Outstanding Bonds, as reasonably determined by the CFD Administrator.

3. **Bond Call based on Backup Special Tax A**

The Prepayment Amount for a Backup Special Tax A payment shall equal the amount necessary to call Bonds based on steps 4, 5, 12, 13, and 14 of Section K.1. above such that the total Special Tax A revenues available in any Fiscal Year (i.e., the Expected Special Tax A Revenues from step 2 of Section D above for the Planning Area for which the Backup Special Tax A payment is being made plus the Required Special Tax A Revenues from all other Planning Areas as adjusted to the date of calculation and both escalated by 2% per Fiscal Year) less anticipated annual Administrative Expenses as of the date of calculation will be approximately equal to (but not less than) 110% of the debt service on the Outstanding Bonds during the current Fiscal Year and all future years.

From the Backup Special Tax A payment, the amounts computed pursuant to paragraphs 4, 5, 13, and 14 shall be used to retire Outstanding Bonds. The amount computed pursuant to paragraph 12 shall be retained by IA No. 2.

The Maximum Special Tax A shall not be reduced as a result of a Backup Special Tax A payment.

L. <u>TERM OF SPECIAL TAX</u>

The Special Tax A, Backup Special Tax A, and One-Time Special Tax shall be levied for a period not to exceed fifty years commencing with Fiscal Year 2012-2013. The Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

K:\CLIENTS2\Azusa.cty\Mello\cfd2005-1\RMA\IA 2 Amended RMA\IA2_RMA_09.doc