

**COUNTY OF SACRAMENTO
LAGUNA STONELAKE
COMMUNITY FACILITIES DISTRICT NO. 1**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in the Laguna Stonelake Community Facilities District No. 1 (herein "CFD No. 1") shall be levied and collected according to the tax liability determined by the Board of Supervisors (herein the "Board") of the County of Sacramento, acting in its capacity as the legislative body of CFD No. 1, through the application of the appropriate Special Tax rate, as described below. All of the property in CFD No. 1, unless exempted by law or by the provisions of Section F below, 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 making up 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 recorded subdivision map or parcel map, or, if undisplayed on the recorded map, determined by calculation of the land area from the Parcel's metes and bounds.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2, of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees and expenses of its counsel) employed in connection with any Bonds of CFD No. 1, and the expenses of the County in carrying out its duties for such Bonds, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County Finance Director, amounts needed to rebate the federal government for arbitrage profits with respect to any of such Bonds, costs associated with complying with continuing disclosure requirements, and all other costs and expenses of the County in any way related to the establishment or administration of CFD No. 1.

"Administrator" means the Administrator of the County Public Works Agency or his/her designee.

“Allocation Acres or Acreage” means the Acreage of a Parcel as shown on an Assessor’s Parcel Map, Final Map, parcel map, or metes and bounds calculation, adjusted to exclude Exempt Acreage that is designated for the Parcel on the approved tentative subdivision map. In the event that the Parcel includes Public Property in excess of the Exempt Acreage, the extra Public Property area shall not be excluded from the Allocation Acreage. The Allocation Acreage shall be used to allocate the Maximum Special Tax to property in CFD No. 1 pursuant to Section C below.

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

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

“Bonds” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the County for CFD No. 1 under the Act.

“Building Permits” means a single permit or set of permits required for the construction of structures, surface parking, common areas, landscaping, or other substantial improvements to property, exclusive of grading, utilities, and street frontage improvements.

“Capitalized Interest” means funds in the Capitalized Interest account available to pay debt service on Bonds issued by CFD No. 1.

“County” means the County of Sacramento.

“Developed Property” means all Single Family Detached Residential Parcels for which a Final Map has been recorded on or prior to June 1 of the preceding Fiscal Year, and all other Parcels in CFD No. 1 for which Building Permits have been issued on or prior to June 1 of the preceding Fiscal Year, including Property Owner Association Property and common areas serving developed Parcels.

“Estimated Exempt Acreage” means Exempt Acreage anticipated on each Assessor’s Parcel in CFD No. 1, totaling 103.78 acres for all Parcels in CFD No. 1 as shown in Attachment 1.

“Exempt Acreage” means acreage designated for the elementary school, parks, detention/water quality basin, levee and power line lots and easements, landscape corridors and easements, Elk Grove Boulevard, water well sites, sewer lift station sites, half streets including landscape corridors adjacent to all property other than Single Family Detached Residential, and half streets including landscape corridors adjacent only to Single Family Detached Residential where lots back onto streets with landscape lots.

“Final Map” means a recorded final map, or portion thereof, approved by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) that creates individual marketable lots for which Building Permits may be issued.

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

“Maximum Special Tax” means the maximum Special Tax, determined in accordance with Section C, that can be levied by the Board in any Fiscal Year on Developed Property and Undeveloped Property within CFD No. 1.

“Maximum Special Tax Revenues” means the maximum Special Tax revenues that can be generated within CFD No. 1 by collection of the Maximum Special Tax from Taxable Property within the CFD.

“Property Owner Association Property” means any property within the boundaries of CFD No. 1 owned by a property owner association, including any master or sub-association.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Parcels of Undeveloped Property. For Property Owner Association Property, “Proportionately” means that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Parcels of Property Owner Association Property.

“Public Facilities” means any of the improvements authorized to be funded by CFD No. 1 pursuant to CFD No. 1 formation documents.

“Public Property” means Exempt Acreage plus any other public facility sites owned by a public agency, all public rights-of-way that are not developable, and all non-occupancy utility property or property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement, subject to the limitations set forth in Section F below.

“Residential Unit” means a single residential dwelling unit and shall include single family homes and individual condominium, townhome, duplex, triplex, and fourplex units, and individual apartment units in a multi-family building.

“Separate Map Areas” means the separate areas comprising a Final Map containing Single Family Detached Residential Parcels that, at the County’s discretion, can effectively be organized into distinct areas containing lots of similar sizes.

“Single Family Detached Residential” means any Assessor’s Parcel designated for construction of, or on which is constructed, one single family dwelling, including single family homes used as living quarters, single family homes with a secondary use, manufactured homes, single family homes with a granny unit, and other similar uses as determined by the Administrator.

“Special Tax” means any tax levied pursuant to the Act on property within CFD No. 1.

"Special Tax Requirement" means that amount of revenue necessary in any Fiscal Year to pay debt service on the Bonds that is due in the calendar year that begins in such Fiscal Year, to create or replenish reserve funds, to cure any delinquencies in the payment of Special Taxes which have occurred or (based on delinquency rates in prior years) may be expected to occur in the Fiscal Year in which the tax will be collected, to pay Administrative Expenses, and to pay construction and/or acquisition expenses to be funded directly from Special Tax proceeds. The Special Tax Requirement may be reduced in any Fiscal Year by taking into account revenues available from one or more of the following sources: (i) interest earnings on or surplus balances in the bond reserve fund or other CFD funds and accounts that are available to apply against debt service pursuant to the bond indenture, bond resolution, or other legal document that sets forth these terms, and (ii) any other revenues accrued to CFD No. 1 as determined by the County.

"Taxable Property" means all of the land within the boundaries of CFD No. 1 that is not Exempt Acreage as defined or exempt from the Special Tax pursuant to law or Section F below.

"Undeveloped Property" means Parcels of Taxable Property in CFD No. 1 not classified as Developed Property.

B. CLASSIFICATION OF CFD PARCELS

On or about July 1 of each year, all Taxable Property within CFD No. 1 shall be categorized either as Developed Property, Undeveloped Property, or Property Owner Association Property and shall be subject to tax in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

C. MAXIMUM SPECIAL TAX RATE

Each time a Final Map is recorded within CFD No. 1, the Administrator shall determine the Maximum Special Tax for each Parcel created by recordation of the Final Map pursuant to the following steps. Once the Maximum Special Tax has been determined for a Parcel within an approved Final Map, such Maximum Special Tax shall not be reduced in future years although the amount actually levied on a Parcel may be less than the maximum.

1. Single Family Detached Residential Property

The following steps shall be applied to determine the Maximum Special Tax for Single Family Detached Residential property classified as Developed Property. Until classified as Developed Property, Taxable Property shall be classified as Undeveloped Property and taxed at the rate described in Section C.3 below.

Step 1a. Determine the Allocation Acreage within the approved Final Map;

- Step 1b. If, at the County's discretion, the Final Map area can be divided into Separate Map Areas, identify the Allocation Acreage associated with each Separate Map Area;
- Step 1c. Multiply the Allocation Acreage for each Separate Map Area, as applicable, determined in Step 1b by \$4,000 per Acre to calculate the Maximum Special Tax Revenues to be allocated to each Separate Map Area within the Final Map area;
- Step 1d. Divide the amounts calculated in Step 1c by the number of individual single family lots created within each Separate Map Area within the Final Map area to determine the Maximum Special Tax for each Single Family Detached Residential Unit.

2. Single Family Attached, Multi-Family, and Non-Residential Property

The following steps shall be applied to determine the Maximum Special Tax for single family attached, multi-family, and non-residential property classified as Developed Property. Until classified as Developed Property, Taxable Property within a Final Map shall be classified as Undeveloped Property and taxed at the rate described in Section C.3 below.

- Step 2a. Determine the Allocation Acreage within the approved Final Map;
- Step 2b. Multiply the Allocation Acreage determined in Step 2a by \$4,000 per Acre to calculate the Maximum Special Tax Revenues to be allocated to the Final Map area;
- Step 2c. Determine the Acreage of Taxable Property within the approved Final Map;
- Step 2d. Divide the amount calculated in Step 2b by the amount determined in Step 2c to calculate the Maximum Special Tax for each Acre of Taxable Property within the Final Map;
- Step 2e. Multiply the Maximum Special Tax per Acre determined in Step 2d by the Acreage of Taxable Property of each Assessor's Parcel within the Final Map to calculate the Maximum Special Tax for each Parcel of single family attached, multi-family, and non-residential property.

3. Undeveloped Property

The Maximum Special Tax for Undeveloped Property shall be \$4,000 per Acre, which applies to all Parcels of Taxable Property within CFD No. 1 that are Undeveloped Property in each Fiscal Year in which the Special Tax is collected.

4. Mixed Uses Within One Final Map

If a final map is approved by the Board and includes a combination of land use types or includes remainder Parcels of Undeveloped Property, the Administrator shall multiply \$4,000 per Acre times the Allocation Acreage of each Parcel in the final map. For Parcels of Developed Property, the Maximum Special Tax assigned to each Parcel shall then be allocated among the Residential Units, non-residential acres, and/or Property Owner Association Property within the Parcel based on application of the steps set forth above for residential and non-residential uses.

Notwithstanding the Maximum Special Tax calculated pursuant to the steps set forth in Sections C.1 through C.4 above, the County may, in its sole discretion, require a property owner, prior to approval of a Final Map, to prepay a portion of the Special Tax obligation assigned to one or more Parcels that will be created when the Final Map is recorded in order to reduce the Maximum Special Tax for any land use within the Final Map to an amount deemed by the County to be consistent with amounts paid by similar land uses already developed within CFD No. 1. The partial prepayment required by the County shall be calculated using the prepayment formula set forth in Section E below.

D. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Each Fiscal Year, the Special Tax shall be levied as follows until the amount of the levy equals the Special Tax Requirement for that Fiscal Year:

First: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, excluding Property Owner Association Property, up to 100% of the Parcel's Maximum Special Tax, as determined pursuant to Section C, above;

Second: If additional revenues are needed after the first step has been completed and after taking into account any available Capitalized Interest, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for Undeveloped Property, as determined pursuant to Section C, above;

Third: If additional revenues are needed after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Parcel of Property Owner Association Property up to 100% of the Maximum Special Tax for Undeveloped Property, as determined pursuant to Section C, above;

Fourth: If additional revenues are needed after the first three steps have been completed, the Special Tax shall be levied Proportionately on each Parcel conveyed to a public agency, which has not been exempted from the Special Tax pursuant to Section F, up to 100% of the Maximum Special Tax for Undeveloped Property, as determined pursuant to Section C, above.

E. PREPAYMENTS

The following definitions apply to this Section E:

"Future Facilities Costs" means the Public Facilities Costs (as defined below) minus any costs funded by Previously Issued Bonds (as defined below), interest earnings on the construction fund actually earned prior to the date of prepayment, Special Taxes, developer equity, and/or any other source of funding.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor's Parcel making a prepayment, and the Special Tax will be used to pay a portion of the next principal payment of the Bonds that remain outstanding, that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of **"Outstanding Bonds"** for purposes of the prepayment formula.

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

"Public Facilities Costs" means \$11,045,000 or such other number as shall be determined by the Administrator as sufficient to fund the Public Facilities.

The Special Tax obligation applicable to each Assessor's Parcel in CFD No. 1 may be prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes at the time of prepayment with respect to such Assessor's Parcel or any other Assessor's Parcel in CFD No. 1 owned or partially owned by the owner or partial owner of the subject Assessor's Parcel. An owner of an Assessor's Parcel who wishes to voluntarily prepay the Special Tax obligation shall provide the Administrator with (i) written notice of intent to prepay, and (ii) payment of fees as established by the Administrator to process the prepayment request. Within 30 days of receipt of written notice and payment, the Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel. Prepayment must be made not less than 75 days prior to any redemption date for Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made is equal to the Maximum Special Tax that could have been levied prior to the prepayment, reduced by the percentage of the full prepayment that the partial prepayment represents.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

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

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1:** Compute the total Maximum Special Tax that could be collected from the Assessor's Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the County. For a partial prepayment, determine the amount of the Maximum Special Tax that shall be discharged in future Fiscal Years after the partial prepayment and use that dollar amount for purposes of this Step 1.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the total Maximum Special Tax revenues that could be collected in that Fiscal Year from property in the entire CFD.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Compute the current Future Facilities Costs.
- Step 5:** Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Facilities Costs to be prepaid (*the "Future Facilities Amount"*).
- Step 6:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 7:** Compute the amount needed to pay interest on the Bond Redemption Amount from the last interest payment date on the Outstanding Bonds until the earliest redemption date for the Outstanding Bonds.
- Step 8:** Compute the minimum amount the County reasonably expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption

Premium until the redemption date for the Outstanding Bonds that the County expects to be redeemed with the prepayment.

- Step 9:** Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (*the "Defeasance"*).
- Step 10:** The administrative fees and expenses of CFD No. 1 are as calculated by the County and include the costs of computation of the prepayment, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (*the "Administrative Fees and Expenses"*).
- Step 11:** If and to the extent so provided in the documents pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (*the "Reserve Fund Credit"*).
- Step 12:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (*the "Prepayment Amount"*).

F. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Taxes shall be levied on Public Property, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act. Exempt Acreage shall be restricted to the total amount of Estimated Exempt Acreage as shown in Attachment 1. If any category of Exempt Acreage exceeds the total shown in Attachment 1 for that category, that amount of Exempt Acreage exceeding the total acres allowed for that category shall be taxed on a last-in, first-taxed basis. If any category of Exempt Acreage exceeds the amount of acres identified in Attachment 1, the Acres exceeding such total are subject to a levy up to 100% of the Maximum Special Tax for Undeveloped Property as required pursuant to the fourth step of Section D above.

Attachment 1 identifies the Estimated Exempt Acreage for each Assessor's Parcel in CFD No. 1 when the CFD was formed. If Estimated Exempt Acreage is relocated to another Assessor's Parcel, the new Exempt Acreage sites will become exempt. If such relocation occurs, the amount of land previously designated as Estimated Exempt Acreage will become Taxable Property, subject to the Maximum per-acre Special Tax that had applied to the property on which the Estimated Exempt Acreage was relocated. This trading of Exempt Acreage between Parcels will be permitted, after written approval is received by the County from all affected property owners, to the extent that there is no net loss in Maximum Special Tax Revenues.

G. MANNER OF COLLECTION

The annual Special Tax for CFD No. 1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the County may collect Special Taxes at a different time or in a different manner if necessary to meet CFD No. 1 financial obligations. In the event of a delinquency, the County shall pursue foreclosure in a timely manner.

The Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and authorized facilities to be constructed directly from Special Tax proceeds have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2039-2040. At no time shall Special Taxes levied on property in residential use be increased by more than ten percent (10%) of the amount levied in the prior Fiscal Year due to delinquencies or defaults of other property owners in the CFD.

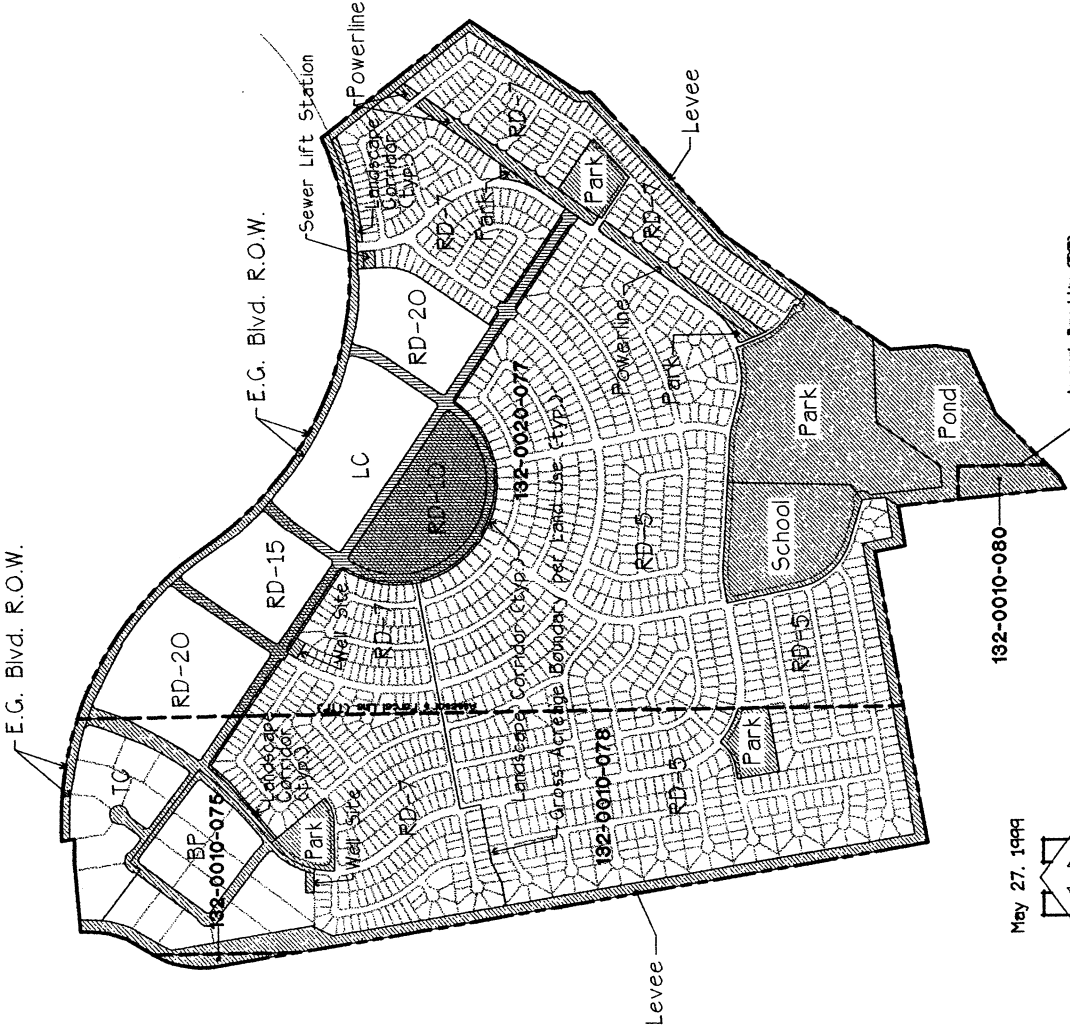
H. INTERPRETATION OF SPECIAL TAX FORMULA

The County reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the County's discretion. Interpretations may be made by the County by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

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ATTACHMENT 1
 EXEMPT ACREAGE EXHIBIT
LAGUNA STONELAKE C.F.D. NO. 1
 (FORMERLY KNOWN AS ELLIOTT RANCH SOUTH AREA "A")
 SACRAMENTO COUNTY, CALIFORNIA

MAY 12, 1999
 SHEET 1 OF 1



A.P.N. 132-0010-075

	Non-taxable Exempt Acreage
Half Streets + Landscape	0
EK Grove Blvd. R/W	0
Total Powerline	0
Water Well Sites	0
Sewer Lift Station	0
Park	0
Levee	0.97
School	0
Pond	0
Totals	0.97

A.P.N. 132-0010-080

	Non-taxable Exempt Acreage
Half Streets + Landscape	0
EK Grove Blvd. R/W	0
Total Powerline	0
Water Well Sites	0
Sewer Lift Station	0
Park	0
Levee	0
School	0
Pond	2.39
Totals	2.39

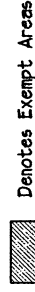
A.P.N. 132-0010-078

	Non-taxable Exempt Acreage
Half Streets + Landscape	6.41
EK Grove Blvd. R/W	0.92
Total Powerline	0
Water Well Sites	1.90
Sewer Lift Station	0
Park	4.68
Levee	9.72
School	0
Pond	0
Totals	23.63

A.P.N. 132-0020-077

	Non-taxable Exempt Acreage
Half Streets + Landscape	12.12
EK Grove Blvd. R/W	4.91
Total Powerline	4.21
Water Well Sites	0.16
Sewer Lift Station	0.17
Park	24.90
Levee	6.81
School	11.15
Pond	12.36
Totals	76.79

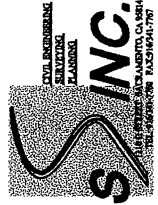
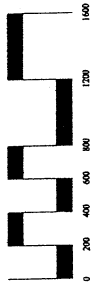
Exempt Acreage Total: 103.5 ± Acres



Denotes Exempt Areas

Note: Assessor's parcel lines shown are digitized and are not to be considered as calculated data. No representation is being made as to the location and/or accuracy of these lines.

May 27, 1999



WOOD-RODGERS INC.