



City of Calimesa
Regular Meeting of the City Council

AGENDA

Monday, June 3, 2013

6:00 p.m.

Norton Younglove Multipurpose Senior Center
908 Park Avenue, Calimesa, CA 92320

William Davis, Mayor ♦ Jeff Hewitt, Mayor Pro Tem
Jim Hyatt, Council Member ♦ Joyce McIntire, Council Member ♦ Ella Zanowic, Council Member
Randy Anstine, City Manager ♦ Kevin Ennis, City Attorney

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ANNOUNCEMENT REGARDING SPEAKER SLIPS

Anyone wishing to address the City Council either during "Communications from the Public" or on any item on the agenda should fill out a **blue speaker slip** and give that slip to the City Clerk **prior to the item being heard**. Please write the number of the agenda item or the subject of your presentation on the slip. **Please observe a time limit of three (3) minutes when giving your presentation**. When called upon, please step forward to the microphone, state your name for the record, whom you represent and any statement you wish to make. **Please be advised that you may not defer your three (3) minutes to another speaker.**

CALL TO ORDER

ROLL CALL: MAYOR DAVIS, MAYOR PRO TEM HEWITT, COUNCIL MEMBER HYATT, COUNCIL MEMBER MCINTIRE, COUNCIL MEMBER ZANOWIC.

STAFF: CITY MANAGER ANSTINE, CITY ATTORNEY ENNIS, CITY CLERK GERDES, ASSISTANT CITY MANAGER VON KLUG, PUBLIC WORKS DIRECTOR FRENCH, COMMUNITY DEVELOPMENT DIRECTOR GUARRACINO, CITY ENGINEER THORNTON, FIRE CHIEF GREGG AND POLICE CHIEF PEEBLES.

PLEDGE OF ALLEGIANCE

COMMUNICATIONS FROM THE PUBLIC

Anyone wishing to address the Council on any item within the Council's jurisdiction that is not on the agenda may do so at this time. This is not a time for Council Member comment or action, but the Council may ask questions for clarification or make a referral to staff for factual information to be reported back to the Council at a later meeting.

APPROVAL OF THE AGENDA

RECOMMENDATION: Move to approve the agenda

Motion _____ Second _____ Vote _____

CONSENT CALENDAR

The following Consent Calendar items are expected to be routine and non-controversial. Council will act upon them at one time without discussion. Any Council Member or staff member may request removal of an item from the Consent Calendar for discussion.

1. APPROVAL OF CITY COUNCIL ACTION MINUTES. [Page 5](#)
 - a. **City Council Action Minutes of the Regular Meeting of May 20, 2013.**
2. RECEIVE AND FILE CITY COMMISSION & BOARD MINUTES. [Page 10](#)
 - a. **Planning Commission Minutes of 12/10/2012 Regular Meeting**
3. APPROVAL OF WARRANT REGISTERS. [Page 13](#)
 - a. **May 23, 2013 Payroll of \$41,287.16 (Ck Nos. 6314 thru 6332)**
4. WAIVE FULL READING OF ANY PROPOSED ORDINANCES ON THE AGENDA. [Page 15](#)

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.
5. COUNCIL TRAVEL REPORT. [Page 16](#)

RECOMMENDATION: That the City Council move to approve the travel expenses report.
6. RECEIVE AND FILE PUBLIC SAFETY REPORTS. [Page 19](#)

RECOMMENDATION: That the City Council move to accept the Citizen Patrol Volunteer Unit Hours for April 2013.
7. ADOPTION OF A RESOLUTION OF THE CITY OF CALIMESA SUPPORTING THE RE-DESIGNATION OF RIVERSIDE COUNTY AS A RECYCLING MARKET DEVELOPMENT ZONE DUE TO AN INCREASE IN BOUNDARIES AND ADOPTION OF INITIAL STUDY AND NEGATIVE DECLARATION [Page 21](#)

RECOMMENDATION: That the City Council approve Resolution No. 2013-17, a Resolution of the City Council of the City of Calimesa, California supporting the re-designation of Riverside County as a recycling market development zone due to an increase in boundaries and adoption of initial study and negative declaration.

CHIEF OF POLICE COMMENTS & REPORTS

FIRE CHIEF COMMENTS & REPORTS

MAYOR & COUNCIL MEMBER REPORTING OF COUNTY & REGIONAL MEETINGS

BUSINESS ITEMS

8. ATTENDANCE AND APPOINTMENT OF THE LEAGUE OF CALIFORNIA CITIES VOTING DELEGATE REPRESENTING CALIMESA AT THE ANNUAL LEAGUE CONFERENCE [Page 27](#)

RECOMMENDATION: That the City Council select a primary voting delegate and an alternate who will vote on League issues representing the City of Calimesa at the Annual League of California Cities Conference to be held September 18-20 in Sacramento, CA. and inform staff as to which Council members will be attending the Annual League Conference.

9. MOBILE HOME RENT STABILIZATION BOARD APPOINTMENT [Page 29](#)
RECOMMENDATION: *That the City Council appoint one (1) member to the Mobile Home Rent Stabilization Board and adopt Resolution No. 2013-18 providing for the appointment made.*
10. COMMUNITY FACILITIES DISTRICT NO. 2012-1(SINGLETON HEIGHTS) ANNUAL LEVY OF SPECIAL TAXES [Page 33](#)
RECOMMENDATION: *That the City Council consider the adoption of Resolution No. 2013-19, a Resolution of the City Council of the City of Calimesa acting as the legislative body of the Community Facilities District No. 2012-1 (Singleton Heights), Improvement Area No. 1, authorizing the annual levy of special taxes for Fiscal Year 2013/2014*
11. PUBLIC SERVICES COMMUNITY FACILITIES DISTRICT NO. 1 ANNUAL LEVY OF SPECIAL TAXES [Page 37](#)
RECOMMENDATION: *That the City Council consider the adoption of Resolution No. 2013-20, A Resolution of the City Council of the City of Calimesa acting as the legislative body of Public Services Community Facilities District No. 1 (law enforcement, fire, paramedic and park maintenance services) authorizing the annual levy of special taxes for Fiscal Year 2013/2014*
12. FORMATION OF COMMUNITY FACILITIES DISTRICT NO. 2013-1 (JP RANCH) AND DISSOLUTION OF COMMUNITY FACILITIES DISTRICT NO. 2006-3 (JP RANCH) IMPROVEMENT AREA 1. [Page 42](#)
RECOMMENDATION: *That the City Council:*
- a. *Adopt the Resolution of Intention to establish a community facilities district, designating improvement areas,; and approving the execution and delivery of a deposit and reimbursement agreement, a fee deposit and reimbursement agreement, and a depository agreement and approving the Community Facilities District goals and policies.*
 - b. *Adopt the Resolution of Intention to incur bonded indebtedness within said community facilities district.*

COUNCIL MEMBERS' COMMENTS & REPORTS

This is the time for additional general comments, announcements, reports on meetings attended at public expense as required by AB 1234, requests of staff, and other issues of concern to Council Members may be presented briefly at this time. The Council may not legally take action on any item presented at this time other than to direct staff to investigate a complaint or place an item on a future agenda unless (1) by a majority vote, the Council determines that an emergency situation exists, as defined by Government Code § 54956.5 or (2) by a four-fifths vote, the Council determines that there is a need for immediate action and the need for action arose subsequent to the agenda being posted as required by Government Code § 54954.2(b).

CITY MANAGER COMMENTS & REPORTS

RECESS TO CLOSED SESSION

CLOSED SESSION ITEMS

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Pursuant to Government Code Section 54956.9(c) Potential Initiation of Litigation

Number of Cases: One (1) case

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Pursuant to Government Code Section 54956.9(c) Potential Initiation of Litigation

Number of Cases: One (1) case

CLOSED SESSION ANNOUNCEMENT

ADJOURNMENT

Adjourn to the Regular Meeting of the City Council on Monday, July 1, 2013, at 6:00 p.m.

Agenda Item No. 1



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Approval of City Council Meeting Minutes

MEETING DATE: June 3, 2013

PREPARED BY: Darlene Gerdes, City Clerk

RECOMMENDATION: That the City Council approve the action minutes as presented for the Regular City Council meeting of May 20, 2013.

ATTACHMENTS:

Attachment A: City Council action minutes of May 20, 2013 regular meeting.

City Of Calimesa
City Council Minutes of Regular Meeting
May 20, 2013

CALL TO ORDER 6:00 p.m. by Mayor Pro Tem Hewitt.

ROLL CALL: MAYOR PRO TEM HEWITT, COUNCIL MEMBER HYATT, COUNCIL MEMBER MCINTIRE AND COUNCIL MEMBER ZANOWIC.

ABSENT: MAYOR DAVIS

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 4-0 TO APPROVE THE ABSENCE OF MAYOR DAVIS.

STAFF: CITY MANAGER ANSTINE, CITY ATTORNEY ENNIS, CITY CLERK GERDES, PUBLIC WORKS DIRECTOR FRENCH, COMMUNITY DEVELOPMENT DIRECTOR GUARRACINO, CITY ENGINEER THORNTON AND POLICE LT ORTIZ.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Council Member McIntire.

COMMUNICATIONS FROM THE PUBLIC

None.

APPROVAL OF THE AGENDA

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER MCINTIRE, CARRIED 4-0-1-0(MAYOR DAVIS WAS ABSENT) TO APPROVE THE AGENDA AS PRESENTED.

Mayor Pro Tem Hewitt asked if there were any items to be removed from the consent calendar for discussion. There were no items removed for discussion.

CONSENT CALENDAR

1. APPROVAL OF CITY COUNCIL ACTION MINUTES.
 - a. *City Council Action Minutes of the Regular Meeting of May 6, 2013.*
2. RECEIVE AND FILE CITY COMMISSION & BOARD MINUTES.
 - a. *Community Services Commission Minutes of 4/3/2013 Regular Meeting*
 - b. *Library Commission Minutes of 4/2/2013 Regular Meeting*
 - c. *Public Works & Safety Commission Minutes of 4/4/2012 Regular Meeting*
3. APPROVAL OF WARRANT REGISTERS.
 - a. *Check Register report with a total of \$189,742.18 (Check Nos. 27048 to 27119)*
 - b. *May 9, 2013 Payroll of \$33,557.54 (Ck Nos. 6300 thru 6313)*

4. WAIVE FULL READING OF ANY PROPOSED ORDINANCES ON THE AGENDA.

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.

5. 4TH STREET PARK - AUTHORIZATION TO CIRCULATE A NOTICE INVITING BIDS (NIB).

RECOMMENDATION: *That the City Council authorize the City Manager to circulate a Notice Inviting Bids (NIB) to receive bids for construction of the 4th Street Park Improvements.*

6. SAFE ROUTES TO SCHOOLS PROJECT, CYCLE 8 - 2ND STREET AND AVENUE L STREET IMPROVEMENTS, AUTHORIZATION TO CIRCULATE A NOTICE INVITING BIDS (NIB)

RECOMMENDATION: *That the City Council authorize the City Manager to circulate a Notice Inviting Bids (NIB) to receive bids for construction of street, bridge, and utility improvements along 2nd Street and Avenue L.*

MOTION BY COUNCIL MEMBER ZANOWIC, SECONDED BY COUNCIL MEMBER HYATT, CARRIED 4-0-1-0(MAYOR DAVIS WAS ABSENT) TO APPROVE THE CONSENT CALENDAR AS PRESENTED.

CHIEF OF POLICE COMMENTS & REPORTS

Lt. Pete Ortiz stated that he had nothing new to report since the last meeting and stated that the department is working with staff on the 2013-2014 fiscal year budget.

Council Member McIntire spoke regarding illegal dune buggies on the Dickinson property on Douglas Street and requested that the Sheriff's Department keep an eye on them. She also asked what occurred in the 1000 block of Douglas Street around 3:00 am on either Sunday or Monday morning.

Lt. Ortiz replied that he was not aware of the incident, but that he would look into it and report back to Council.

FIRE CHIEF COMMENTS & REPORTS

The fire department was not in attendance, no report was given.

MAYOR & COUNCIL MEMBER REPORTING OF COUNTY & REGIONAL MEETINGS

Council Member Hyatt reported that he spoke at an event sponsored by WRCOG in regards to AB341-Household Hazardous Waste, adding that 55 were in attendance. He further reported that he attended a water task force meeting.

Council Member Zanowic reported that she attended a meeting of the RCTC where they discussed the Perris Valley Line and the lawsuit filed by the Friends of Riverside Hills.

She further reported that she attended the Riverside Division League of California Cities meeting and the Joint Elected Officials meeting at the Yucaipa/Calimesa School District.

Mayor Pro Tem Hewitt reported that he attended the Riverside Division League of California Cities meeting, adding that there were 4 law enforcement speakers who spoke on the “realignment – one year into it”. He further reported that he attended the Joint Elected Officials meeting at the Yucaipa/Calimesa School District, stating that Joe Zoba spoke on behalf of Yucaipa Valley Water District and Ray Casey spoke on behalf of the City of Yucaipa. He added that Mayor Davis spoke on behalf of City Manager Anstine, who was unable to attend. He further reported that he attended the Pass Area Water Task Force meeting on behalf of Mayor Davis who was unable to attend.

BUSINESS ITEMS

7. REQUEST OF COMMUNITY SERVICES COMMISSION

RECOMMENDATION: That the City Council provide direction pertaining to the request for an audit of the Family Services Association (FSA) funds by the Community Services Commission.

City Manager Anstine presented the agenda report. Council Member Hyatt questioned what depth of an audit staff would be looking for. City Manager Anstine stated that he would start with requesting the annual audit report.

Geri Longfellow, 10961 Desert Lawn Drive, Calimesa spoke in support of requesting an audit of the Family Services Association funds, stating that she previously served as a member of the Sr. Advisory Committee and has volunteered at the Sr. Center since 2005. She expressed her concerns of the lack of documented accountability for the Senior Center from Family Services Association.

After Council discussion the following action was taken:

MOTION BY COUNCIL MEMBER HYATT, SECONDED BY COUNCIL MEMBER ZANOWIC, CARRIED 4-0-1-0(MAYOR DAVIS WAS ABSENT) TO DIRECT STAFF TO START WITH THE REQUESTING OF AN ANNUAL AUDIT REPORT FROM FAMILY SERVICES ASSOCIATION.

COUNCIL MEMBERS' COMMENTS & REPORTS

This is the time for additional general comments, announcements, reports on meetings attended at public expense as required by AB 1234, requests of staff, and other issues of concern to Council Members may be presented briefly at this time. The Council may not legally take action on any item presented at this time other than to direct staff to investigate a complaint or place an item on a future agenda unless (1) by a majority vote, the Council determines that an emergency situation exists, as defined by Government Code § 54956.5 or (2) by a four-fifths vote, the Council determines that there is a need for immediate action and the need for action arose subsequent to the agenda being posted as required by Government Code § 54954.2(b).

Council Member Hyatt announced that the garden club held their annual sale and sold basically all they had, adding that it was very profitable for them. He further announced that Jan Sterling, who previously volunteered at the Sr. Center and was involved in many Sr. events and activities passed away, adding that her service was held at the Sr.

Center. He suggested adjourning the meeting in her memory. He questioned whether the city received any invitations or information from the Beaumont Chamber of Commerce for their State of the City event, adding that he had not received an invitation.

City Manager Anstine replied that staff had not received an invitation or flyer from the Beaumont Chamber for the event.

Council Member Zanowic reported that she attended the Chamber Ribbon Cutting ceremony for Calimesa Insurance on Calimesa Blvd and Avenue K.

Mayor Pro Tem Hewitt reminded all of the Annual Memorial Day Ceremony to be held at the Desert Lawn Cemetery on Memorial Day.

CITY MANAGER COMMENTS & REPORTS

City Manager Anstine questioned whether any members of Council would be attending the League of California Cities Annual Conference in September, adding that if they plan to attend they need to contact City Clerk Gerdes for registration.

Council Member Hyatt questioned when the budget would be ready for the Budget Finance Committee to review. City Manager Anstine replied that he would meet with Finance Consultant Holliman and contact the budget committee within the week with a date for the meeting.

RECESS TO CLOSED SESSION

Mayor Pro Tem Hewitt recessed the meeting at 6:31 p.m. to Closed Session. City Attorney Ennis announced the Closed Session Items.

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Pursuant to Government Code Section 54956.9(c) Potential Initiation of Litigation
Number of Cases: One (1) case

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Pursuant to Government Code Section 54956.9(c) Potential Initiation of Litigation
Number of Cases: One (1) case

CLOSED SESSION ANNOUNCEMENT

- A. No reportable action.
- B. No reportable action.

ADJOURNMENT

Meeting adjourned in memory of Jan Sterling at 7:20 p.m. to the Regular meeting of the City Council on Monday June 3, 2013, at 6:00 p.m.

Respectfully Submitted,

Darlene Gerdes, City Clerk

Agenda Item No. 2

APPROVAL OF CITY COMMISSION MINUTES

a. Planning Commission Minutes of 12/10/2012 Regular Meeting

City of Calimesa
Minutes of the Regular Meeting of the
Planning Commission
Monday, December 10, 2012

CALL TO ORDER: The meeting was called to order at 6:00 p.m. by Chair Barron.

ROLL CALL:

Commissioners Present: Chair Barron, Vice-Chair Molina, Commissioner Brittingham, and Commissioner Keith

Staff Present: Randy Anstine, City Manager
Jerry Guarracino, Community Development Director

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES:

Item 1. Action Minutes from the September 10, 2012 Joint Planning and Trails Commission Meeting

ACTION: Commissioner Brittingham moved to approve the minutes as written, and Commissioner Keith seconded the motion. Motion passed 4-0.

WORKSHOP:

Item 2. Presentation of the Calimesa Oaks Village Specific Plan

ACTION: Community Development Director Guarracino introduced Dr. Timothy Krantz and his environmental class of students from the University of Redlands and the specific plan project for a proposed mixed-used senior-oriented project at the Calimesa Country Club. Landscape Architect Richard Pierce and Calimesa Country Club representative Robert Adams were also introduced.

A PowerPoint conceptual design presentation was presented to the Planning Commission by the student design team from the University of Redlands. Dr. Krantz explained after the presentation this would be a project coming before the City of Calimesa within the next year.

Dr. Krantz answered questions from the Commission regarding trails, the connection to Yucaipa of the Wildlife Corridor, "green" roofs, financing the project, mitigating the removal of any oak trees, and zoning issues.

The Planning Commission offered a round of applause to the student design team. There was no action taken.

DIRECTOR REPORTS

Item 3. Recent entitlement applications received for a Dollar General Store and a South Mesa Water District Storage Tank

ACTION: The report was received and filed by the Commission.

COMMISSION MEMBERS REPORT AND COMMENTS:

Commissioner Keith -	He said he had missed meeting with the Planning Commission.
Commissioner Brittingham -	No comment.
Vice-Chair Molina -	No comment.
Chair Barron -	He congratulated Bill Davis, who was in the audience, on becoming the City's Mayor.

ADJOURNMENT:

The Planning Commission meeting was adjourned at 7:12 p.m. to the Regular Meeting of January 14, 2013 at the Norton Younglove Multipurpose Senior Center, located at 908 Park Avenue.

Respectfully submitted,

Shannon Andrews
Management Analyst

APPROVED BY COMMISSION

5/13/2013



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Approval of Warrant Register

MEETING DATE: June 3, 2013

PRESENTED BY: Randy Anstine, City Manager

RECOMMENDATION: Staff requests that the City Council move to approve the Check Register Report.

SUMMARY: The attached Check Register Report for City Council's approval is as follows:

- a. May 23, 2013 Payroll of \$41,287.16 (Ck Nos. 6314 thru 6332)

Payroll Net Pay / Net Liability / Benefit Breakdown

Pay Period 13 - Pd May 23, 2013

May 4 - May 17, 2013

Checks 6314 - 6332

	Employee	Employer	Total
FWT	\$ 3,270.24		\$ 3,270.24
FICA	\$ -	\$ -	\$ -
Medicare	\$ 388.43	\$ 388.43	\$ 776.86
SWT	\$ 1,048.62		\$ 1,048.62
SDI	\$ 283.03		\$ 283.03
Deferred Compensation	\$ 846.70		\$ 846.70
Loan Deduction	\$ 618.86		\$ 618.86
Benefit Deduction	\$ 1,133.47		\$ 1,133.47
Misc Deduction	\$ 28.34		\$ 28.34
VEBA	\$ 450.00		\$ 450.00
PERS Retirement		\$ 4,849.06	\$ 4,849.06
Subtotal	\$ 8,067.69	\$ 5,237.49	\$ 13,305.18
Net Payroll	\$ 20,235.87		\$ 20,235.87
Gross Payroll	\$ 28,303.56	\$ 5,237.49	\$ 33,541.05
Benefit Expenditures	\$ 7,746.11		
Salary Expense		\$ 28,303.56	
Employer Payroll Cost		\$ 12,983.60	
Total Payroll Cost			\$ 41,287.16

Agenda Item No. 4

**WAIVE FULL READING OF ANY PROPOSED
ORDINANCES ON THE AGENDA**

This permits reading the title only in lieu of reciting the entire text of the Ordinances. This does not take policy action on the Ordinances or approve or disapprove any Ordinances on the agenda.



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Travel Expenses

MEETING DATE: June 3, 2013

PRESENTED BY: Randy Anstine, City Manager

RECOMMENDATION: That the City Council move to approve the Travel Expenses Report.

SUMMARY: The attached Travel Expenses Report for City Council's approval is as follows:

- a. Thru May 2013 Council Member Travel Expenses

COUNCIL TRAVEL EXPENSES

JOYCE MCINTIRE - TRAVEL EXPENSES						
SALE	TRAVEL/TRAINING - 01-1100-7585			MILEAGE - 01-1100-7590		
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
1-Aug	LoCC - San Diego - SEP12	\$ 475				
Sep	LoCC - San Diego - Expenses	\$ 403				
17-Nov	Beaumont-100Th Anniversary	\$ 30				
	TOTAL TRAVEL/TRAINING EXPENSES				\$ 908	

BILL DAVIS - TRAVEL EXPENSES						
SALE	TRAVEL/TRAINING - 01-0000-7585			MILEAGE - 01-1100-7590		
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
	TOTAL TRAVEL/TRAINING EXPENSES				\$ -	

JIM HYATT - TRAVEL EXPENSES						
SALE	TRAVEL/TRAINING - 01-1100-7585			MILEAGE - 01-1100-7590		
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
25-Jul	5th Dist Symposium	\$ 50				
Sep	LoCC-Mileage reimb	\$ 122				
Sep	Mileage reimb-SCE/WRCOG/RCA	\$ 36				
17-Nov	Beaumont-100Th Anniversary	\$ 30				
Jan	LoCC Div Dinner	\$ 40				
11-Mar	LoCC -General Mtg	\$ 25				
27-Mar	San Gorgonio Pass Summit	\$ 50				
25-Apr	State of the City-Yucaipa	\$ 35				
	TOTAL TRAVEL/TRAINING EXPENSES				\$ 388	

JEFF HEWITT - TRAVEL EXPENSES						
SALE	TRAVEL/TRAINING - 01-1100-7585			MILEAGE - 01-1100-7590		
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
1-Aug	LoCC - San Diego - SEP12	\$ 475				
	LoCC - San Diego - SEP12/partial refund	\$ (400)				
17-Nov	Beaumont-100Th Anniversary	\$ 30				
Jan	Beaumont Installaltion	\$ 40				
15-Feb	Locc	\$ 40				
11-Mar	Locc	\$ 25				
27-Mar	San Gorgonio Pass Summit	\$ 50				
25-Apr	State of the City-Yucaipa	\$ 35				
9-May	Locc	\$ 25				
	TOTAL TRAVEL/TRAINING EXPENSES				\$ 295	

COUNCIL TRAVEL EXPENSES

ELLA ZANOWIC - TRAVEL EXPENSES						
SALE	TRAVEL/TRAINING - 01-1100-7585			MILEAGE - 01-1100-7590		
DATE	DESCRIPTION	AMOUNT	DATE	DESCRIPTION	AMOUNT	
July	LoCC Dinner	\$ 35				
Sep	LoCC Division Breakfast	\$ 20				
Sep	LoCC Annual Conference	\$ 525				
Sep	LoCC Annual Conference-Hotel	\$ 201				
Sep	LoCC Annual Conference-Hotel	\$ 453				
Sep	LoCC Annual Conference--Travel	\$ 54				
Oct	Banning State of City	\$ 25				
17-Nov	Beaumont-100Th Anniversary	\$ 30				
19-Nov	LoCC-General Mtg	\$ 40				
3-Dec	State of County	\$ 50				
Jan	Yucaipa Chamber Installation	\$ 45				
Jan	Beaumont Installation	\$ 40				
11-Mar	LoCC -General Mtg	\$ 25				
27-Mar	San Gorgonio Pass Summit	\$ 50				
9-May	LoCC	\$ 25				
	TOTAL TRAVEL/TRAINING EXPENSES				\$ 1,618	

Agenda Item No. 6

RECEIVE AND FILE PUBLIC SAFETY REPORTS

- a. Citizen Patrol Volunteer Unit Hours for April 2013

VOLUNTEER UNIT HOURS RECAP

For the month of April

Year : 2013

Coordinator : Ron Dortch

Commander : Dennis Pennekamp

Number of active members	25	Total Hours	749.00
of Aides	2	Patrols	55
Leave	1	Miles:	2178.20
		SUV 1	1335.70
		SUV 2	842.50

<u>Code</u>	<u>Duty.</u>	<u>Hours.</u>
<u>100</u>	<u>Patrol;</u> vacation, business;	479.00
<u>110</u>	<u>Assist Deputy;</u> traffic control etc	0.00
<u>120</u>	<u>Public Relations;</u> assist motorists etc.	37.50
<u>130</u>	<u>Community Service;</u> parades, traffic, parking, etc	107.00
<u>140</u>	<u>Meetings;</u> board members, staff meetings,	35.00
<u>150</u>	<u>Training;</u> new members, traffic control, safety,	00.00
<u>160</u>	<u>Fund Raising Activities;</u> letters, public appearances, etc.,	00.00
<u>170</u>	<u>Security</u> - Any security related activities	00.00
<u>180</u>	<u>Vehicle Maintenance</u>	00.00
<u>190</u>	<u>Administration</u>	11.00
<u>200</u>	<u>Clerical;</u> office duties, record keeping, etc.	79.50

Commander Signature D. Pennekamp / CJ

Preparer's Signature Kathy Houlihan



Agenda Item No. 7

STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Adoption of a Resolution of the City of Calimesa supporting the re-designation of Riverside County as a Recycling Market Development Zone due to an increase in boundaries and Adoption of Initial Study and Negative Declaration

MEETING DATE: June 3, 2013

PRESENTED BY: Randy Anstine, City Manager

RECOMMENDATION: It is respectfully requested that the City Council approve Resolution No. 2013-17, a Resolution of the City Council of the City of Calimesa, California supporting the re-designation of Riverside County as a recycling market development zone due to an increase in boundaries and adoption of initial study and negative declaration.

BACKGROUND: CalRecycle administers the RMDZ to encourage California-based recycling businesses to site new manufacturing facilities and expand existing operations. The principle benefit for businesses located within an RMDZ is a loan program for manufacturers of products using materials that would normally end up at the landfill. This program provides low-interest loans of up to \$2 million for the purchase of equipment and other relevant business costs. The intent of the RMDZ loan program is to help California manufacturers increase their processing capabilities and create additional markets for recycled-content products.

Riverside County currently has one RMDZ that encompasses the cities of Moreno Valley, Perris, Hemet, San Jacinto, Cathedral City, Indio, Coachella and Blythe along with the unincorporated former redevelopment project areas of East Blythe, Blythe Airport, Cabazon, Thermal, Garnet, Thousand Palms, Mead Valley, and Romoland. This current zone expires on August 25, 2013 and CalRecycle has encouraged the County of Riverside to seek a new ten-year designation of the RMDZ and expand its boundaries. Economic Development Agency staff of the County are proposing that the entire boundary of the County be designated an RMDZ. County staff will take the lead in preparing the application. Inclusion into this RMDZ can be of great benefit to existing and future manufacturing businesses.

FINANCIAL IMPACT: Participation in this program does not financially impact the City of Calimesa.

ATTACHMENTS:

Attachment A: Resolution No. 2013-17

Attachment B: RMDZ Frequently Asked Questions Answer Sheet

RESOLUTION NO. 2013-17

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA, CALIFORNIA SUPPORTING THE REDESIGNATION OF RIVERSIDE COUNTY AS A RECYCLING MARKET DEVELOPMENT ZONE DUE TO AN INCREASE IN BOUNDARIES AND ADOPTION OF INITIAL STUDY AND NEGATIVE DECLARATION

WHEREAS, California Public Resources Code Section 42010, et al. provides for the establishment of the Recycling Market Development Zone (RMDZ) program throughout the State which provides incentives to stimulate development of post-consumer and secondary materials markets for recyclables; and

WHEREAS, all California jurisdictions must meet a 50% reduction in landfill waste disposal as mandated by the California Integrated Waste Management Act; and

WHEREAS, the Riverside County RMDZ includes the cities of Blythe, Cathedral City, Coachella, Hemet, Indio, Moreno Valley, Perris and San Jacinto and parts of unincorporated Riverside County; and

WHEREAS, the Riverside County RMDZ is dedicated to establishing, sustaining and expanding recycling-based manufacturing businesses, which is essential for market development and to assist these jurisdictions in meeting the established landfill waste reduction goals; and

WHEREAS, the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Desert Hot Springs, Eastvale, Indian Wells, Jurupa Valley, Lake Elsinore, La Quinta, Menifee, Murrieta, Norco, Palm Desert, Palm Springs, Rancho Mirage, Riverside, Temecula, Wildomar and all of unincorporated Riverside County desire existing and new recycling-based manufacturing businesses located within their jurisdictions to be eligible for the technical and financial incentives associated with the RMDZ program; and

WHEREAS, the addition of these jurisdictions to the Riverside County RMDZ is necessary to facilitate local and regional planning, coordination, and support existing recycling-based manufacturing businesses, as well as assist in attracting private sector recycling investments to the RMDZ; and

WHEREAS, the continued development of local markets for recycled materials would reduce the need to transport them out of the region in the future; and

WHEREAS, the current and proposed waste management practices and conditions are favorable to the development of post-consumer and secondary waste materials markets; and

WHEREAS, the California Legislature has defined environmental justice as "the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies" [Government Code section 65040.12(e)], and has directed the California Environmental Protection Agency to conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the state [Public Resources Code section 71110(a)]; and

WHEREAS, CalRecycle has adopted a goal to continuously integrate environmental justice concerns into all of its programs and activities; and

WHEREAS, the cities of Banning, Beaumont, Blythe, Calimesa, Canyon Lake, Cathedral City, Coachella, Corona, Desert Hot Springs, Eastvale, Hemet, Indian Wells, Indio, Jurupa Valley, La Quinta, Lake Elsinore, Menifee, Moreno Valley, Murrieta, Norco, Palm Desert, Palm Springs, Perris, Rancho Mirage, Riverside, San Jacinto, Temecula and Wildomar and the unincorporated part of Riverside County have agreed to submit an application to CalRecycle requesting the redesignation of the Riverside County RMDZ due to a change in boundaries; and

WHEREAS, County of Riverside has agreed to act as Lead Agency for the proposed redesignation; and

WHEREAS, in accordance with the California Environmental Quality Act (CEQA), the County of Riverside has prepared or caused to be prepared and has adopted a Negative Declaration which evaluates the potential adverse environmental effects that might occur as a result of the redesignation of the Riverside County RMDZ; and

WHEREAS, the City of Calimesa has considered the environmental effects of the redesignation of Riverside County RMDZ as shown in the Negative Declaration; and

WHEREAS, the City of Calimesa finds there are no grounds for the City of Calimesa to assume the Lead Agency role or to prepare a subsequent or supplemental environmental document; and

WHEREAS, the record of the proceedings on which the City of Calimesa bases its decision to adopt the Negative Declaration is available from the custodian of records: **County Clerk of Riverside County, 2724 Gateway Drive, P.O. Box 751, Riverside, CA 92502-0751.**

NOW THEREFORE: the City Council of the City of Calimesa hereby resolves that:

Section 1. The City of Calimesa hereby adopts the Negative Declaration.

Section 2. The City of Calimesa, as Responsible Agency, approves the redesignation of Riverside County as a RMDZ and directs the County of Riverside Economic Development Agency to submit an application to CalRecycle requesting redesignation of Riverside County as a RMDZ which includes the cities of Banning, Beaumont, Blythe, Calimesa, Canyon Lake, Cathedral City, Coachella, Corona, Desert Hot Springs, Eastvale, Hemet, Indian Wells, Indio, Jurupa Valley, La Quinta, Lake Elsinore, Menifee, Moreno Valley, Murrieta, Norco, Palm Desert, Palm Springs, Perris, Rancho Mirage, Riverside, San Jacinto, Temecula, and Wildomar and the unincorporated part of Riverside County.

Section 3. The County of Riverside will administer the RMDZ program in a manner that seeks to ensure the fair treatment of people of all races, cultures and incomes, including but not limited to soliciting public participation in all communities within the RMDZ, including minority and low-income populations.

Section 4. The County of Riverside Economic Development Agency shall file a Notice of Determination respecting this Project with the State Clearinghouse pursuant to CEQA Guidelines Section 15096(i).

PASSED, APPROVED AND ADOPTED this 3rd day of June, 2013.

WILLIAM DAVIS, MAYOR

ATTEST:

DARLENE GERDES, CITY CLERK



RIVERSIDE COUNTY RECYCLING MARKET DEVELOPMENT ZONE
2013 Redesignation Application for Countywide Zone
Frequently Asked Questions

What is a Recycling Market Development Zone?

The California Department of Resources Recycling and Recovery (CalRecycle) designated portions of Riverside County as a Recycling Market Development Zone (RMDZ) in order help divert waste from our landfills and stimulate the manufacturing of new, recycled products.

What are the benefits of being in an RMDZ?

- **Low-interest loans to manufacturers who make recycled products**
- **Support “green” recycling jobs and manufacturing in Riverside County**
- **Reduce waste going to our landfills**

Why are we seeking redesignation of the RMDZ?

The RMDZ designation expires August 25, 2013 and in order to maintain the benefits, the County has to reapply to CalRecycle. Additionally, the County desires expand the zone boundaries to include the entire county in order to make the program benefits available countywide.

What portions of the County are currently in the RMDZ?

The following cities are part of the RMDZ:

- Moreno Valley
- Perris
- San Jacinto
- Hemet
- Cathedral City
- Indio
- Coachella
- Blythe

What are the incentives available in an RMDZ?

The **RMDZ Loan Program** provides low-interest loans to private businesses and not-for-profit organizations to increase diversion of non-hazardous solid waste from California landfills and to promote market demand for secondary and postconsumer materials.

The program can fund a maximum of **75%** of costs directly attributed to an eligible project up to a maximum of **\$2,000,000** whichever is less.

Businesses and non-profit organizations can use the funds for:

- Machinery and equipment

- Working capital
- Real estate purchase and improvements
- Refinancing of onerous debt that results in increased diversion, and

In addition to the loan program, CalRecycle provides the following Technical Assistance to businesses:

- Locating manufacturing materials (feedstock)
- Finding markets for products
- Providing current market conditions/trends
- Evaluating technology and equipment
- Providing geographical data on demographics, waste streams, and economics
- Free product marketing through RecycleStore , an online site that links buyers in direct contact with recycling-based manufacturers

What would the program cost your city?

There is **NO COST** to participate in the program. There is no effect on local autonomy and the opportunity is free of cost. The zone designation simply allows you to offer businesses in your jurisdiction access to the benefits of the **CalRecycle** program.

Does being in the RMDZ require my city to accept certain types of recycling uses?

The RMDZ designation **does not** ask or require your city to accept any uses in any manner at all. All land use and permitting activities are not affected by participation in this zone.

How can your City be a part of the new RMDZ?

It's simple!! What we would ask your city to do is adopt a resolution supporting the new countywide RMDZ. We will provide a template for you that you can present to your City Council.

**For more information please call Rob Moran at 951.955.6673 or email rmoran@rivcoeda.org
Riverside County Economic Development Agency**

Agenda Item No. 8



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Attendance and Appointment of the League of California Cities Voting Delegate Representing Calimesa at the Annual League Conference

MEETING DATE: June 3, 2013

PREPARED BY: Darlene Gerdes, City Clerk

RECOMMENDATION: That City Council select a primary voting delegate and an alternate who will vote on League issues representing the City of Calimesa at the Annual League of California Cities Conference to be held September 18-20 in Sacramento, CA. and inform staff as to which Council members will be attending the Annual League Conference.

ATTACHMENTS:

Attachment A: Annual Conference Voting Procedures



1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

Annual Conference Voting Procedures 2013 Annual Conference

1. **One City One Vote.** Each member city has a right to cast one vote on matters pertaining to League policy.
2. **Designating a City Voting Representative.** Prior to the Annual Conference, each city council may designate a voting delegate and up to two alternates; these individuals are identified on the Voting Delegate Form provided to the League Credentials Committee.
3. **Registering with the Credentials Committee.** The voting delegate, or alternates, may pick up the city's voting card at the Voting Delegate Desk in the conference registration area. Voting delegates and alternates must sign in at the Voting Delegate Desk. Here they will receive a special sticker on their name badge and thus be admitted to the voting area at the Business Meeting.
4. **Signing Initiated Resolution Petitions.** Only those individuals who are voting delegates (or alternates), and who have picked up their city's voting card by providing a signature to the Credentials Committee at the Voting Delegate Desk, may sign petitions to initiate a resolution.
5. **Voting.** To cast the city's vote, a city official must have in his or her possession the city's voting card and be registered with the Credentials Committee. The voting card may be transferred freely between the voting delegate and alternates, but may not be transferred to another city official who is neither a voting delegate or alternate.
6. **Voting Area at Business Meeting.** At the Business Meeting, individuals with a voting card will sit in a designated area. Admission will be limited to those individuals with a special sticker on their name badge identifying them as a voting delegate or alternate.
7. **Resolving Disputes.** In case of dispute, the Credentials Committee will determine the validity of signatures on petitioned resolutions and the right of a city official to vote at the Business Meeting.



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Mobile Home Rent Stabilization Board Appointment

MEETING DATE: June 3, 2013

PREPARED BY: Darlene Gerdes, City Clerk

RECOMMENDATION: That City Council appoint one (1) member to the Mobile Home Rent Stabilization Board and adopt Resolution No. 2013-18 providing for the appointment made.

SUMMARY:

Chapter 9.05 of the Calimesa Municipal Code establishes a five (5) member Mobile Home Rent Stabilization Board with two (2) alternates. Appointments to the Board are made by the Mayor with the consent of the City Council.

There currently exist two (2) member vacancies and one (1) alternate vacancy on the Mobile Home Rent Stabilization Board. They are listed as follows:

- **One citizen-at-large member – one year term**
- **One citizen-at-large member – two year term**
- **One alternate mobile home park owner/representative member**

One (1) application for appointment has been received. The following lists the applicant name by category based upon the criteria set forth in the code:

Lakesha Harris Citizen-at-large

ATTACHMENTS:

Attachment A: Citizen Service Application for Lakesha Harris

Attachment B: Resolution No. 2013-18



City of Calimesa

908 Park Avenue
Calimesa, CA 92320
(909) 795-9801
(909) 795-4399

RECEIVED	
DATE:	<u>4-10-13</u>
BY:	<u>Megan</u>
	(NAME)

CITIZEN SERVICE APPLICATION

Appointment to a City Commission or Board

The Calimesa City Council is seeking citizens to serve on duly constituted City Commissions and Boards which have been established to assist and advise the City Council on specific matters for consideration which have been assigned to the respective Commission or Board. Please complete this application for appointment. The application should be typed or clearly printed and filed with the City Clerk.

All applicants must be residents of the City of Calimesa. Pursuant to the City's Conflict of Interest Code, please be advised that if an applicant is appointed to a Commission or Board, he or she must make available information as to any potential conflict of interest arising from their business/property and/or investments within the City of Calimesa by completing a Statement of Economic Interest Form 700.

I wish to apply for an appointment to the following Commission or Board:

Mobile Home Rent Stabilization Board

Name: Lakesha Harris

Address: 1106 Fourth St.

City: Calimesa State: CA Zip Code: 92320

Home Phone 909-446-1625 Work or Cell Phone: 323-997-7132

Email: hired_help@rocketmail.com

Occupation: Educator

Educational Background: BA in Human Services, MA in Education Administration

Requested below is information that will be used by the City Council, as a screening process to determine which applicants will be interviewed for membership on City commissions or boards.

I wish to be considered for an appointment to the above Commission or Board for the following reasons:

As a new resident (3 yrs) of Calimesa, I am very interested in getting involved in the growth. By becoming a member of the Commission, I will be able to make a significant contribution to the development of Calimesa. My professional and educational background is very diverse and can be used in

What do you consider to be three (3) major assets that would qualify you for selection to this Commission or Board?

- (1) I am a licensed California Real Estate Salesperson. My real estate experience has prepared me in the legal and ethical aspects of the ^{real} estate.
- (2) I have a BA in Human Services and years of experience in social services, that will assist in making appropriate recommendations for residents.
- (3) I am a proud homeowner and understand the joy and responsibility that comes with homeownership.

Please identify specific problems facing the Commission or Board on which you would like to serve and explain how you feel they might be resolved:

I am currently unaware of any issues facing the Mobile Home Commission. However, I am willing to work collaboratively to resolve any issues that may arise.

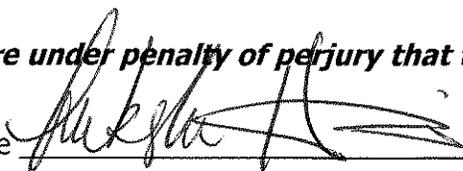
Your application will be considered by the City Council, provided a vacancy exists on the commission or board to which you have applied. Applications are kept on file for one year.

Please note: Separate applications must be filed for each commission or board on which you would like to serve.

Completed applications should be returned to the City Clerk's Office, 908 Park Avenue, Calimesa, California 92320, prior to any closing dates established.

I declare under penalty of perjury that the foregoing is true and correct:

Signature



Date:

4-9-13

RESOLUTION NO. 2013-18

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA, CALIFORNIA, PROVIDING FOR AN APPOINTMENT TO THE MOBILE HOME RENT STABILIZATION BOARD.

WHEREAS Section 9.05.040 of the Calimesa Municipal Code establishes a Mobile Home Rent Stabilization Board consisting of five (5) members and two (2) alternate members; and

WHEREAS, Section 9.05.040 of the Calimesa Municipal Code provides for Board Members to be appointed by the City Council; and

WHEREAS, Section 9.050.040 of the Calimesa Municipal Code sets forth eligibility criteria for each member and alternate member.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF CALIMESA DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City Council hereby appoints a member to the Mobile Home Rent Stabilization Board as follows:

Lakesha Harris

Citizen At Large Member (2-yr Term)

PASSED, APPROVED AND ADOPTED this 3rd day of June, 2013.

WILLIAM DAVIS, MAYOR

ATTEST:

DARLENE GERDES, CITY CLERK



STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Community Facilities District No. 2012-1(Singleton Heights)
Annual Levy of Special Taxes

MEETING DATE: June 3, 2013

PRESENTED BY: Lyn Gruber, Koppel & Gruber Finance

RECOMMENDATION: That the City Council consider the adoption of Resolution No. 2013-19, a Resolution of the City Council of the City of Calimesa acting as the legislative body of the Community Facilities District No. 2012-1 (Singleton Heights), Improvement Area No. 1, authorizing the annual levy of special taxes for Fiscal Year 2013/2014

SUMMARY: On April 16, 2012 the City Council formed Community Facilities District No. 2012-1 (Singleton Heights) ("CFD") for the purpose of providing a secure revenue source for certain authorized facilities and services.

Fiscal Year ("FY") 2013/2014 is the second year the CFD has been levied. To date 56 permits are taxable as Developed Property for this fiscal year. The Rate and Method of Apportionment provides for the levy of special taxes on Developed Property as defined in the Rate and Method of Apportionment ("RMA"), which are parcels for which building permits were issued as of April 1, 2013 and Undeveloped Property, to fund the authorized facilities, services and to pay for administration of the CFD. In order to meet the needs of the CFD, it is proposed that Special Tax A (Facilities) be levied at 100% of the maximum rate on Developed Property and that Special Tax B (Services) be levied at approximately 30% of the maximum for Developed Property.

FISCAL IMPACT: If the Council approves the CFD special tax levy for FY 2013/2014 it will provide approximately \$128,936 to fund the authorized facilities and pay for administrative costs associated within IA No. 1 of the CFD and \$33,794 to fund the authorized services within IA No. 1 and IA No. 2 of the CFD, if there are no delinquencies. The FY 2013/2014 levy amount is based on levying at the applicable FY 2013/2014 Special Taxes rates listed in Exhibit "A" of the Resolution. The Maximum Special Tax Rates for facilities may escalate at 2% per year and the Maximum Special Tax Rates for services may escalate by the greater of two percent (2.0%) or the increase in the Consumer Price Index per fiscal year.

ATTACHMENTS:

Attachment A: Resolution No. 2013-19

RESOLUTION NO. 2013-19

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA
ACTING AS THE LEGISLATIVE BODY OF THE COMMUNITY
FACILITIES DISTRICT NO. 2012-1 (SINGLETON HEIGHTS),
IMPROVEMENT AREA NO. 1, AUTHORIZING THE ANNUAL LEVY OF
SPECIAL TAXES FOR FISCAL YEAR 2013/2014**

WHEREAS, the City Council (the "Council") of the City of Calimesa (the "City") previously undertook proceedings under and pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), to form the City of Calimesa Community Facilities District No. 2012-1 (Singleton Heights) (the "CFD") and designate improvement areas with the CFD, to authorize the levy of special taxes upon the land within the CFD, to finance certain services and certain facilities; and

WHEREAS, the Council has, pursuant to Resolution and by Ordinance, as authorized by Section 53340 of the California Government Code, authorized the levy of a special tax to pay for costs and expenses related to the CFD, and the Council desires to establish the specific rate of the special tax to be collected for the next fiscal year.

NOW, THEREFORE BE IT DETERMINED AND ORDERED AS FOLLOWS:

Section 1. The above recitals are all true and correct.

Section 2. That the Council does, by the passage of this resolution authorize the levy of special taxes at the rates set forth in Exhibit "A" attached hereto, referenced and so incorporated.

Section 3. The rate determined and as set forth above does not exceed the amount as previously authorized by the Ordinance and is not in excess of that amount previously approved by the qualified electors of the CFD, and is exempt from Proposition 218, Section XIID of the California State Constitution. After adoption of this Resolution, the City Manager or his/her designee, may make any necessary modification to these special taxes to correct errors, omissions or inconsistencies in the listing or categorization of parcels to be taxed or in the amount to be charged to any category of parcels; provided, however, that any such modification shall not result in an increase in the tax applicable to any category of parcels.

Section 4. That the proceeds of the special tax shall be used to pay, in whole or in part, the costs of the following:

- (a) Payment of CFD administrative costs;
- (b) Payment of acquisition or construction of authorized facilities;
- (c) Payment of authorized services;
- (d) Payment of principal of and interest on any outstanding authorized bonded indebtedness;
- (e) Necessary replenishment or expenditure of bond reserve funds, other reserve funds or accumulation of funds for future payments including any amount required by Federal law to be rebated to the United States on the same debt; and
- (f) Repayment of advances and loans, if appropriate.

The proceeds of the special taxes shall be used as set forth above, and shall not be used for any other purpose.

Section 5. The above authorized special tax shall be collected in the same manner as ordinary *ad valorem* property taxes, and shall be subject to the same penalties and same procedures, sale and lien priority in cases of any delinquency as is provided for *ad valorem* taxes, and the Riverside County Tax Collector is hereby authorized to deduct reasonable administrative costs incurred in collecting any said special tax.

Section 6. All monies collected shall be paid into the CFD funds, including any bond fund and reserve fund.

Section 7. This Resolution relating to the levy of the special tax shall take effect immediately upon its adoption in accordance with the provisions of Section 53340 of the California Government Code, as amended.

Section 8. The Auditor of the County is hereby directed to enter in the next County assessment roll on which taxes will become due, opposite each lot or parcel of land affected, the installment of the special tax, reference is made to attached Exhibit "A" for the exact rates of the special tax.

Section 9. The County Auditor shall then, at the close of the tax collection period, promptly render to this City a detailed report showing the amount and/or amounts of such special tax installments, interest, penalties and percentages so collected and from what property collected, and also provide a statement of any percentages retained for the expense of making any such collection.

PASSED, APPROVED AND ADOPTED this 3rd day of June, 2013.

WILLIAM DAVIS, MAYOR

ATTEST:

DARLENE GERDES, CITY CLERK

APPROVED AS TO FORM:

KEVIN ENNIS, CITY ATTORNEY

Attachment A

City of Calimesa
CFD 2012-1 (Singleton Heights), Improvement Area No. 1
Fiscal Year 2013/2014
Special Tax A Rates (Facilities)

Land Use Class	Building Square Footage	Assigned Special Tax A
1	900 or less Sq. Ft.	\$703.80 per Residential Unit
2	901 to 1,200 Sq. Ft.	\$985.32 per Residential Unit
3	1,201 to 1,500 Sq. Ft.	\$1,266.84 per Residential Unit
4	1,501 to 1,800 Sq. Ft.	\$1,548.36 per Residential Unit
5	1,801 to 2,100 Sq. Ft.	\$1,829.88 per Residential Unit
6	2,101 to 2,400 Sq. Ft.	\$2,111.40 per Residential Unit
7	2,401 to 2,700 Sq. Ft.	\$2,392.92 per Residential Unit
8	2,701 to 3,000 Sq. Ft.	\$2,674.44 per Residential Unit
9	Greater than 3,000 Sq. Ft.	\$2,955.96 per Residential Unit

Land Use Class	Special Tax A
Undeveloped Property	\$9,461.52 per Acre
Provisional Undeveloped Property	\$9,461.52 per Acre

CFD 2012-1 (Singleton Heights), Improvement Area No. 1
Fiscal Year 2013/2014
Special Tax B Rates (Services)

Land Use Class	Special Tax B
Developed	\$208.62 per Residential Unit
Undeveloped	\$104.30 per Lot

**CFD 2012-1 (Singleton Heights), Improvement Area No. 2
Fiscal Year 2013/2014
Special Tax A Rates (Facilities)**

Land Use Class	Building Square Footage	Assigned Special Tax A
1	900 or less Sq. Ft.	\$902.70 per Residential Unit
2	901 to 1,200 Sq. Ft.	\$1,263.78 per Residential Unit
3	1,201 to 1,500 Sq. Ft.	\$1,624.86 per Residential Unit
4	1,501 to 1,800 Sq. Ft.	\$1,985.94 per Residential Unit
5	1,801 to 2,100 Sq. Ft.	\$2,347.02 per Residential Unit
6	2,101 to 2,400 Sq. Ft.	\$2,708.10 per Residential Unit
7	2,401 to 2,700 Sq. Ft.	\$3,069.18 per Residential Unit
8	2,701 to 3,000 Sq. Ft.	\$3,430.26 per Residential Unit
9	3,001 to 3,300 Sq. Ft.	\$3,791.34 per Residential Unit
10	3,301 to 3,600 Sq. Ft.	\$4,152.42 per Residential Unit
11	3,601 to 3,900 Sq. Ft.	\$4,513.50 per Residential Unit
12	3,901 to 4,200 Sq. Ft.	\$4,874.58 per Residential Unit
13	4,201 to 4,500 Sq. Ft.	\$5,215.26 per Residential Unit
14	4,501 to 4,800 Sq. Ft.	\$5,596.74 per Residential Unit
15	Greater than 4,800 Sq. Ft.	\$5,957.82 per Residential Unit

Land Use Class	Special Tax A
Undeveloped Property	\$16,406.70 per Acre
Provisional Undeveloped Property	\$16,406.70 per Acre

**CFD 2012-1 (Singleton Heights), Improvement Area No. 2
Fiscal Year 2013/2014
Special Tax B Rates (Services)**

Land Use Class	Special Tax B
Developed	\$208.62 per Residential Unit
Undeveloped	\$104.30 per Lot



Agenda Item No. 11

STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Public Services Community Facilities District No. 1 Annual Levy of Special Taxes

MEETING DATE: June 3, 2013

PRESENTED BY: Lyn Gruber, Koppel and Gruber Finance

RECOMMENDATION: it is recommended that the City Council consider the adoption of Resolution No. 2013-20, A Resolution of the City Council of the City of Calimesa acting as the legislative body of Public Services Community Facilities District No. 1 (law enforcement, fire, paramedic and park maintenance services) authorizing the annual levy of special taxes for Fiscal Year 2013/2014

SUMMARY: On September 5, 2006 the City Council formed Public Services Community Facilities District No. 1 (Law Enforcement, Fire, Paramedic and Park Maintenance Services) ("CFD") for the purpose of providing a secure revenue source for additional law enforcement, fire, paramedic, and park maintenance services within areas of new development. On March 19, 2007 the JP Ranch Development was annexed into the CFD.

Fiscal year 2008/2009 was the first year the CFD was levied. To date 102 permits have been pulled in the CFD. The Rate and Method of Apportionment provides for the levy of special taxes on Developed Property as defined in the Rate and Method of Apportionment ("RMA"), which are parcels for which building permits were issued as of May 1, 2013, to fund the authorized services and to pay for administration of the CFD. The increased number of permits is a result of the development in Singleton Heights.

FISCAL IMPACT: If the Council approves the CFD special tax levy for fiscal year 2013/2014 it will provide approximately \$54,123.24 to fund the authorized services and pay for administrative costs associated with the CFD, if there are no delinquencies. The fiscal year 2013/2014 levy amount is based on levying Developed Property at the applicable Fiscal Year 2013/2014 Special Taxes rates listed in Exhibit "A" of the Resolution. This amount may escalate by the greater of two percent (2.0%) or the increase in the Consumer Price Index per fiscal year.

ATTACHMENTS:

Attachment A: Resolution No. 2013-20

RESOLUTION NO. 2013-20**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA
ACTING AS THE LEGISLATIVE BODY OF PUBLIC SERVICES
COMMUNITY FACILITIES DISTRICT NO. 1 (LAW ENFORCEMENT,
FIRE, PARAMEDIC AND PARK MAINTENANCE SERVICES)
AUTHORIZING THE ANNUAL LEVY OF SPECIAL TAXES FOR
FISCAL YEAR 2013/2014**

WHEREAS, the City Council (“Council”) of the City of Calimesa, (“City”), has previously undertaken proceedings under and pursuant to the terms and provisions of the “Mello-Roos Community Facilities Act of 1982”, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California, to form Public Services Community Facilities District No. 1 (Law Enforcement, Fire, Paramedic and Park Maintenance Services) (the “District”), to authorize the levy of special taxes upon land within the District to finance certain facilities.

WHEREAS, this Council, by Ordinance as authorized by Section 53340 of the Government Code of the State of California, has authorized the levy of a special tax to pay for costs and expenses related to said District, and this Council is desirous to establish the specific rate of the special tax for the District to be collected for the next fiscal year.

NOW, THEREFORE, IT IS HEREBY RESOLVED AS FOLLOWS:

SECTION 1. That the above recitals are all true and correct.

SECTION 2. That in accordance with the Act and Ordinance, there is hereby levied upon all parcels within the District which are not otherwise exempt from taxation under the Act or the Ordinance the special taxes for fiscal year 2013/2014 at the rates set forth in the attached referenced and incorporated Exhibit “A”. Koppel & Gruber Public Finance is hereby directed to prepare and file with the City Clerk a list of the exact amount of the special tax for each lot or parcel of land in accordance with this Resolution (the “2013/2014 Roll”).

SECTION 3. That the rate determined and as set forth above does not exceed the amount as previously authorized by Ordinance of this Council, and is not in excess of that as previously approved by the qualified electors of the District, and is exempt from Proposition 218, Section XIID of the California State Constitution.

SECTION 4. That the proceeds of the special tax shall be used to pay, in whole or in part, the costs of the following:

- (1) police protection services;
- (2) fire protection/paramedic services;
- (3) park maintenance services; and
- (4) the incidental expenses related to financing, forming and administering the District.

The proceeds of the special taxes shall be used as set forth above, and shall not be used for any other purpose.

SECTION 5. The special tax shall be collected in the same manner as ordinary ad valorem property taxes are collected, and shall be subject to the same penalties and same procedure and sale in cases of any delinquency for ad valorem taxes, and the Tax Collector is hereby authorized to deduct reasonable administrative costs incurred in collecting any said special tax.

SECTION 6. All monies above collected shall be paid into the District funds, including any reserve fund.

SECTION 7. The City Clerk is hereby authorized to transmit a certified copy of this Resolution to the County of Riverside ("County") Office of the Auditor-Controller ("County Auditor"). The County Auditor is hereby directed to enter in the next County assessment roll on which taxes will become due, opposite each lot or parcel of land effected the installment of the special tax, and for the exact rate and amount of said tax, reference is made to the attached Exhibit "A".

SECTION 8. This Resolution relating to the levy of the special tax shall take effect immediately upon its final passage in accordance with the provisions of Government Code Section 53340, as amended.

PASSED, APPROVED, AND ADOPTED this 3rd day of June, 2013

WILLIAM DAVIS, MAYOR

ATTEST:

DARLENE GERDES, CITY CLERK

APPROVED AS TO FORM:

KEVIN ENNIS, CITY ATTORNEY

EXHIBIT "A"

PUBLIC SERVICES COMMUNITY FACILITIES DISTRICT NO. 1
(LAW ENFORCEMENT, FIRE, PARAMEDIC AND PARK MAINTENANCE SERVICES)

FISCAL YEAR 2013/2014
SPECIAL TAX RATES

Tax Classification	FY 2013/2014
Single-Family Unit	\$530.62 per Unit
Multi-Family Unit	\$397.97 per Unit
Non-Residential Parcel	\$2,986.58 per Acre



Agenda Item No 12

STAFF REPORT

CITY OF CALIMESA CITY COUNCIL MEETING

SUBJECT: Formation of Community Facilities District No. 2013-1 (JP Ranch) and dissolution of Community Facilities District No. 2006-3 (JP Ranch) Improvement Area 1

MEETING DATE: June 3, 2013

PRESENTED BY: Lyn Gruber, Koppel & Gruber Finance

RECOMMENDATION: It is recommended that the City Council Adopt the Resolution of Intention to establish a community facilities district, designating improvement areas,; and approving the execution and delivery of a deposit and reimbursement agreement, a fee deposit and reimbursement agreement, and a depository agreement and approving the Community Facilities District goals and policies

Adopt the Resolution of Intention to incur bonded indebtedness within said community facilities district.

SUMMARY: Community Facilities Districts are a form of financing that can be used by cities, counties, school district, and special districts. CFDs raise money through special taxes that must be approved by 2/3 of the voters within the CFD. Most often, CFDs are formed by the landowner prior to subdivision. A CFD can be formed to finance a wide list of improvements, which include roads, water facilities, sewers, schools and fees. They are also used to finance ongoing maintenance services such as landscaping, streets, lighting and drainage facilities. The taxes are secured by a continuing lien and are levied against property within the district on an annual basis. The revenue stream is used to pay debt service on bonds, to finance facilities on a pay-as-you-go basis, and to pay for services or a combination thereof. It is anticipated that the City will issue bonds to fund the facilities and fees financed by the CFD. Services will be funded by the annual special tax for services.

The City is in receipt of a Petition (including consent and waiver) with respect to a development for Highpointe JPR 308 who is now the owners of the property in the proposed development (the "Owner"). The Owner is requesting that the City move forward and declare its intent to form a community facilities district designated as "Community Facilities District No. 2013-1 (JP Ranch) of the City of Calimesa" ("CFD No. 2013-1"), designating three improvement areas and two zones within Improvement Area No. 1, and issue bonds secured by special taxes within CFD No. 2013-1. Additionally, the Owner is requesting the dissolution of Improvement Area No. 1 of Community Facilities District No. 2006-3 (JP Ranch) ("CFD

No. 2006-3”). The improvements anticipated to be funded through the existing Landscaping & Lighting Maintenance District 91-1, Zone B-5 will now be funded through a services tax included in CFD No. 2013-1, if approved.

The Owner intends to develop 306 residential housing units on the property in three improvement areas. Improvement Area 1, Zone 1 are the 44 existing homes that are non-occupied, Zone 2 will include 65 residential units near the existing homes, Improvement Area No. 2 includes 117 Units including primarily the northwest portion of the development along Singleton Road, and Improvement Area No. 3 is on the western side of the development and includes the 80 remaining lots of Tract 26925. It is proposed that the two homes owned by homeowners be exempted from CFD 2013-1. On January 16, 2007 the City Council formed CFD No. 2006-3 on this property. However, due to the property sale and changes in the housing market subsequent to the formation of CFD No. 2006-3, Highpointe JPR 308, LLC has requested the formation of CFD No. 2013-1 to reduce the special taxes and the dissolution of Improvement Area No. 1 of CFD No. 2006-3 which will be replaced by CFD No. 2013-1, if approved.

Once CFD 2013-1 is formed it is the intent to issue bonds secured by special taxes within CFD 2013-1 when market conditions allow. The financing meets or will meet all City goals and policies, if adopted with this action, with respect to financing public improvements in connection with land development. The “not to exceed” bond amount for the District has been approved by the City Financial Advisor as \$3,000,000 with respect to Improvement Area No. 1, \$5,000,000 with respect to Improvement Area No. 2, and \$4,000,000 with respect to Improvement Area No. 3. The facilities and fees of public agencies proposed to be financed, the services proposed to be financed and the rate and method of apportionment of the special tax proposed to be levied following an election as well as the proposed boundaries of the CFD are described on the exhibits to the resolution of intention to form the District.

FISCAL IMPACT: None. Funds provided by developer deposit and bond proceeds.

ATTACHMENTS:

Attachment A: Resolution No. 2013-21 with attachments
Attachment B: Resolution No. 2013-22

RESOLUTION NO. 2013-21

RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA TO ESTABLISH CITY OF CALIMESA COMMUNITY FACILITIES DISTRICT NO. 2013-1 (JP RANCH); AND DESIGNATING IMPROVEMENT AREAS WITHIN SAID COMMUNITY FACILITIES DISTRICT; AND APPROVING THE EXECUTION AND DELIVERY OF A DEPOSIT AND REIMBURSEMENT AGREEMENT, A FEE DEPOSIT AND REIMBURSEMENT AGREEMENT, AND A DEPOSITORY AGREEMENT; AND ADOPTING GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS

WHEREAS, the City Council (the “Council”) of the City of Calimesa (the “City”) has received a petition (the “Petition”) requesting the dissolution of City of Calimesa Community Facilities District No. 2006-3 (JP Ranch), Improvement Area No. 1 (“CFD 2006-3, IA No. 1”) and the institution of proceedings for (i) formation of a community facilities district (“CFD 2013-1”) pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the “Act”), (ii) designation of improvement areas within CFD 2013-1, (iii) authorization of issuance of bonds for each improvement area within CFD 2013-1, and (iv) establishment of an appropriations limit for each improvement area within CFD 2013-1; and

WHEREAS, the Council has determined that the Petition complies with the requirements of Government Code Section 53318(c) and now intends to initiate such proceedings; and

WHEREAS, it is the intention of the Council to finance landscape, lighting, streets, storm drain and detention basin maintenance services that are in addition to those provided in the territory within CFD 2013-1 prior to the formation of CFD 2013-1 and do not supplant services already available within the territory proposed to be included in CFD 2013-1 through the formation of CFD 2013-1 subject to the levy of a special tax to pay for such services, being approved at an election to be held within the boundaries of each improvement area within CFD 2013-1; and

WHEREAS, it is the intention of the Council to finance the acquisition and construction of the Facilities (as defined below) or any combination thereof through the formation of CFD 2013-1, subject to the authorization of bonds and the levy of a special tax to pay lease payments, installment purchase payments or other payments, or principal and interest on bonds, being approved at an election to be held within the boundaries of each improvement area within CFD 2013-1; and

WHEREAS, pursuant to Section 53350 of the Act, the Council may designate a portion or portions of CFD 2013-1 as one or more improvement areas for purposes of financing of, or contributing to the financing of, specified public facilities;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CALIMESA DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Council hereby determines to dissolve CFD 2006-3, IA No. 1. Upon the adoption of an ordinance dissolving CFD 2006-3, IA No. 1, the Council shall cause an addendum to be recorded to the Notice of Special Tax Lien recorded pursuant to Section 3114.5 of the Streets and Highways Code which shall state that CFD 2006-3, IA No. 1 and all associated liens, if any, have been dissolved.

Section 2. The Council hereby determines to institute proceedings for the formation of a community facilities district under the terms of the Act. The exterior boundaries of CFD 2013-1 are hereby specified and described to be as shown on that certain map now on file in the office of the Clerk entitled “Map of Proposed Boundaries Community Facilities District No. 2013-1 (JP Ranch),” which map indicates by a boundary line the extent of the territory included in each improvement area within CFD 2013-1 and shall govern for all details as to the extent of each improvement area within CFD 2013-1. On the original and one copy of the map on file in the City Clerk’s office, the City Clerk shall endorse the certificate evidencing the date and adoption of this resolution. The City Clerk shall file the original of such map in her office and, within fifteen (15) days after the adoption of this Resolution, the City Clerk shall file a copy of such map so endorsed in the records of the County Recorder, County of Riverside, State of California.

Section 3. The name of the proposed community facilities district shall be “City of Calimesa Community Facilities District No. 2013-1 (JP Ranch).”

Section 4. The Council hereby designates the portions of CFD 2013-1 as described in Exhibit A attached hereto, as Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3, respectively, of City of Calimesa Community Facilities District No. 2013-1 (JP Ranch).

Section 5. Except where funds are otherwise available, it is the intention of the Council to levy annually in accordance with procedures contained in the Act a special tax (the “Services Special Tax”) sufficient to finance a portion of the cost of providing landscaping, lighting, streets, storm drain and detention basin maintenance services (the “Services”) that are in addition to those provided in the territory within CFD 2013-1 prior to the formation of CFD 2013-1 and do not supplant services already available within the territory proposed to be included in CFD 2013-1, the costs of administering the levy and collection of the Services Special Tax and all other costs of the levy of the Services Special Tax, including any legal, fiscal, and financial consultant fees, election costs, and all other administrative costs of the tax levy. The Services Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the respective improvement areas of CFD 2013-1. The schedule of the rate and method of apportionment and manner of collection of the Services Special Tax is described in detail in Exhibit B attached hereto and by this reference incorporated herein. The Services Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act.

Section 6. The facilities proposed to be financed by each improvement area of CFD 2013-1 are public infrastructure facilities and other governmental facilities with an estimated useful life of five years or longer, which CFD 2013-1 is authorized by law to construct, own or operate and that are necessary to meet increased demands placed upon the City as a result of

development or rehabilitation occurring within the proposed CFD 2013-1, including but not limited to street and storm drain improvements, City capital impact fees, and related costs including designs, inspections, professional fees, connection fees and acquisition costs (the "Facilities"). Such Facilities need not be physically located within CFD 2013-1.

Section 7. Except where funds are otherwise available, it is the intention of the Council to levy annually in accordance with procedures contained in the Act a special tax (the "Special Tax") within the respective improvement areas of CFD 2013-1 sufficient to pay for the costs of financing the acquisition and/or construction of the Facilities, including the principal of and interest on the bonds proposed to be issued to finance the Facilities and other periodic costs, the establishment and replenishment of reserve funds, the remarketing, credit enhancement and liquidity fees, the costs of administering the levy and collection of the Special Tax and all other costs of the levy of the Special Tax and issuance of the bonds, including any foreclosure proceedings, architectural, engineering, inspection, legal, fiscal, and financial consultant fees, discount fees, interest on bonds due and payable prior to the expiration of one year from the date of completion of facilities (but not to exceed two years), election costs and all costs of issuance of the bonds, including, but not limited to, fees for bond counsel, disclosure counsel, financing consultants and printing costs, and all other administrative costs of the tax levy and bond issue. The Special Tax will be secured by recordation of a continuing lien against all non-exempt real property in the respective improvement areas. In the first year in which such a Special Tax is levied, the levy shall include a sum sufficient to repay to the City all amounts, if any, transferred to CFD 2013-1 pursuant to Section 53314 of the Act and interest thereon. The schedule of the rate and method of apportionment and manner of collection of the Special Tax is described in detail in Exhibit B attached hereto and by this reference incorporated herein. The Special Tax is based upon the cost of financing the Facilities in CFD 2013-1, the demand that each parcel will place on the Facilities and the benefit (direct and/or indirect) received by each parcel from the Facilities.

The Special Tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act. In the event that a portion of the property within an improvement area of CFD 2013-1 shall become for any reason exempt, wholly or partially, from the levy of the Special Tax, the Council shall, on behalf of CFD 2013-1, increase the levy to the extent necessary upon the remaining property within the same improvement area of CFD 2013-1 which is not delinquent or exempt in order to yield the required payments, subject to the maximum tax. Under no circumstances, however, shall the Special Tax levied in any fiscal year against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner or owners of any other parcel or parcels within the same improvement area of CFD 2013-1 by more than 10 percent above the amount that would have been levied in that fiscal year had there never been any such delinquencies or defaults. Furthermore, the maximum special tax authorized to be levied against any parcel used for private residential purposes shall not be increased over time in excess of 2 percent per year.

Section 8. The Council hereby finds that the proposed Facilities are necessary to meet increased demands put upon the City as a result of the new development or rehabilitation within the proposed CFD 2013-1.

Section 9. A public hearing (the “Hearing”) on the establishment of CFD 2013-1 and the proposed rate and method of apportionment of the Services Special Tax and the Special Tax shall be held on August 5, 2013, at 6:00 o’clock p.m., or as soon thereafter as practicable, at the chambers of the City Council of the City of Calimesa, 908 Park Avenue, Calimesa, California 92320.

Section 10. At the time and place set forth above for the hearing, any interested person, including all persons owning lands or registered to vote within the proposed CFD 2013-1, may appear and be heard.

Section 11. Each City officer who is or will be responsible for the Services and the Facilities to be financed by CFD 2013-1, if it is established, is hereby directed to study the proposed CFD 2013-1 and, at or before the time of the above-mentioned Hearing, file a report with the Council, and which is to be made a part of the record of the Hearing, containing a brief description of the Services and the Facilities by type which will in his or her opinion be required to adequately meet the needs of CFD 2013-1 and his or her estimate of the cost of providing the Services and the Facilities. The City Manager is directed to estimate the fair and reasonable cost of all incidental expenses, including the cost of planning and designing the Facilities to be financed pursuant to the Act, including the cost of environmental evaluations of such facilities, all costs associated with the creation of CFD 2013-1, issuance of bonds, determination of the amount of any special taxes, collection of any special taxes, or costs otherwise incurred in order to carry out the authorized purposes of the City with respect to CFD 2013-1, and any other expenses incidental to the construction, completion and inspection of the authorized work to be paid through the proposed financing.

Section 12. The City may accept advances of funds from any sources, including private persons or private entities, and is authorized and directed to use such funds for any authorized purpose, including any cost incurred by the City in creating CFD 2013-1. The City may enter into an agreement to repay all of such funds as are not expended or committed for any authorized purpose at the time of the election on the levy of the Services Special Tax and the Special Tax, if the proposal to levy such tax should fail, and to repay all of such funds advanced if the levy of the Services Special Tax and the Special Tax shall be approved by the qualified electors of CFD 2013-1.

Section 13. The City Clerk is hereby directed to publish a notice (“Notice”) of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed CFD 2013-1. Such Notice shall contain information set forth in Section 53322 of the Act. Such publication shall be completed at least 7 days prior to the date of the Hearing.

Section 14. The Clerk may send a copy of the Notice by first-class mail, postage prepaid, to each registered voter and to each landowner within proposed CFD 2013-1 as shown on the last equalized assessment roll. Said mailing shall be completed not less than fifteen (15) days prior to the date of the Hearing.

Section 15. Pursuant to Section 53344.1 of the Act, the Council hereby reserves to itself, in its sole discretion, the right and authority by subsequent resolution to allow any owner

of property within CFD 2013-1, subject to the provisions of Section 53344.1 of the Act and those conditions as it may impose, and any applicable prepayment penalties as prescribed in the bond indenture or comparable instrument or document, to tender to CFD 2013-1 treasurer in full payment or part payment of any installment of the special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, the bond or other obligation to be taken at par and credit to be given for the accrued interest shown thereby computed to the date of tender.

Section 16. The voting procedure with respect to the imposition of the Services Special Tax and the Special Tax shall be by hand delivered or mailed ballot election.

Section 17. The City hereby approves the Deposit and Reimbursement Agreement, the Fee Deposit and Reimbursement Agreement, and the Depository Agreement, substantially in the forms submitted to the City Clerk, with such revisions, amendments and completions as shall be approved by the Mayor, the City Manager, the Finance Director or any member of the City Council or any designee of any of them, with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 18. The City hereby adopts the Goals and Policies for Community Facilities District in the form submitted to the City Clerk, which Goals and Policies shall replace the “Land Secured Financing Policy for Special Assessment and Mello-Roos Community Facilities District Financing” previously adopted by the Council pursuant to Resolution Number 2003-18.

Section 19. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this _____ day of _____,
2013, by the following vote:

AYES:

NOES:

ABSET:

ABSTAIN:

William "Bill" Davis, Mayor

ATTEST:

Darlene Gerdes, City Clerk

APPROVED AS TO FORM:

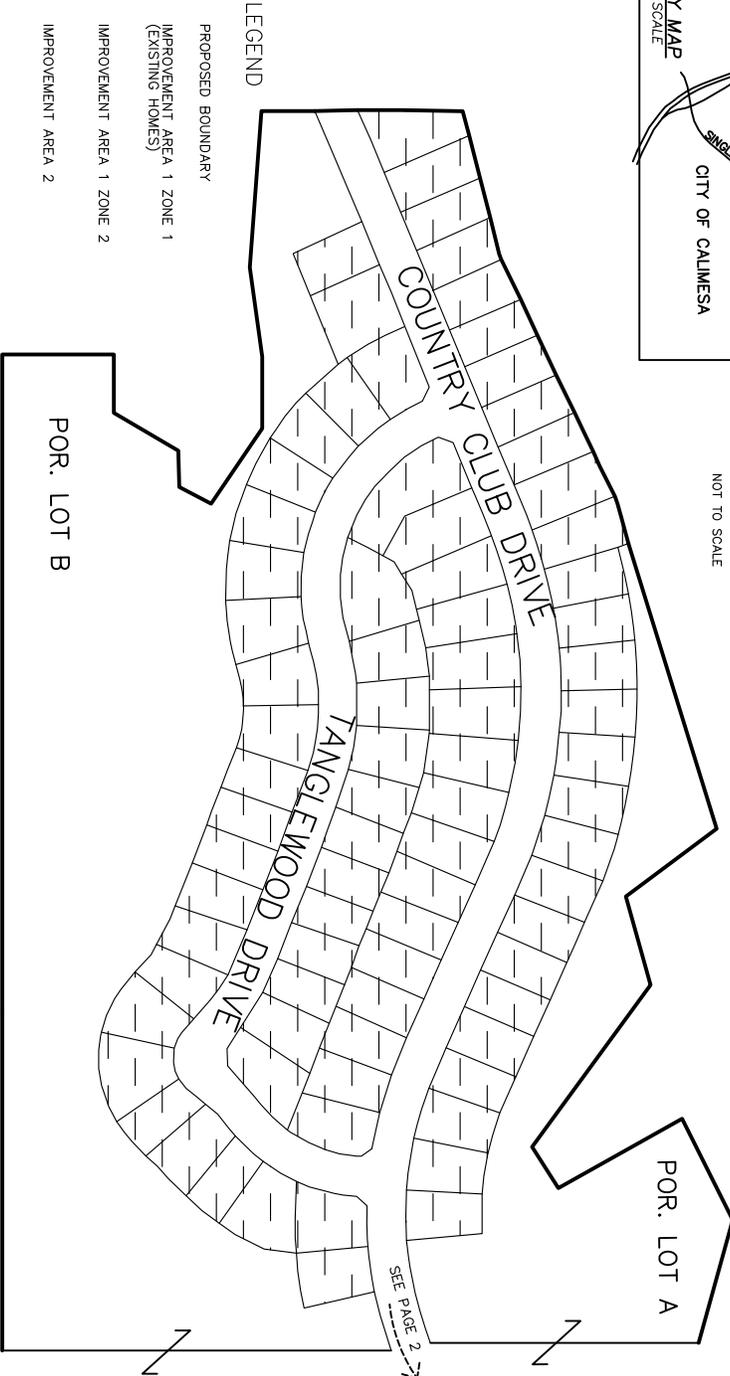
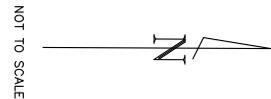
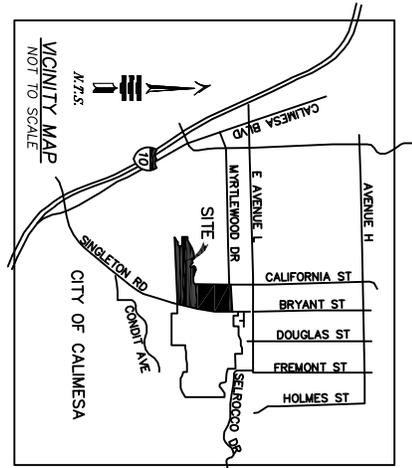
Kevin Ennis, City Attorney

EXHIBIT A

IMPROVEMENT AREA DESIGNATION

MAP OF PROPOSED BOUNDARIES
 COMMUNITY FACILITIES DISTRICT NO. 2013-1
 (JP RANCH)
 CITY OF CALIMESA
 COUNTY OF RIVERSIDE
 STATE OF CALIFORNIA

SHEET 1 OF 2



- LEGEND
- PROPOSED BOUNDARY
 - IMPROVEMENT AREA 1 ZONE 1 (EXISTING HOMES)
 - ▤ IMPROVEMENT AREA 1 ZONE 2
 - ▥ IMPROVEMENT AREA 2
 - ▧ IMPROVEMENT AREA 2 - UNSUBDIVIDED
 - ▨ IMPROVEMENT AREA 3
 - NAP (PARCEL NUMBER 33 & 38)

I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF THE IMPROVEMENT AREAS WITHIN COMMUNITY FACILITIES DISTRICT NO. 2013-1 (JP RANCH) CITY OF CALIMESA, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF CALIMESA AT A REGULAR MEETING THEREOF HELD ON THE _____ DAY OF _____, 2013, BY ITS RESOLUTION NO. _____

 DARLENE GERDES
 CITY CLERK
 CITY OF CALIMESA

FILED IN THE OFFICE OF THE CITY CLERK THIS _____ DAY OF _____, 2013.

FILED THIS _____ DAY OF _____, 2013, AT _____ O'CLOCK _____ M. IN THE BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, PAGE _____ AND INSTRUMENT NO. _____ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA.

 LARRY W. WARD
 COUNTY ASSESSOR/RECORDER
 COUNTY OF RIVERSIDE
 STATE OF CALIFORNIA

THE LINES AND DIMENSIONS OF EACH LOT OR PARCEL SHOWN ON THIS DIAGRAM SHALL BE THOSE LINES AND DIMENSIONS AS SHOWN ON THE RIVERSIDE COUNTY ASSESSORS MAPS FOR THOSE PARCELS LISTED.

THE RIVERSIDE COUNTY ASSESSORS MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH LOTS OR PARCELS.

MAP OF PROPOSED BOUNDARIES
 COMMUNITY FACILITIES DISTRICT NO. 2013-1
 (JP RANCH)
 CITY OF CALUMESA
 COUNTY OF RIVERSIDE
 STATE OF CALIFORNIA

SHEET 2 OF

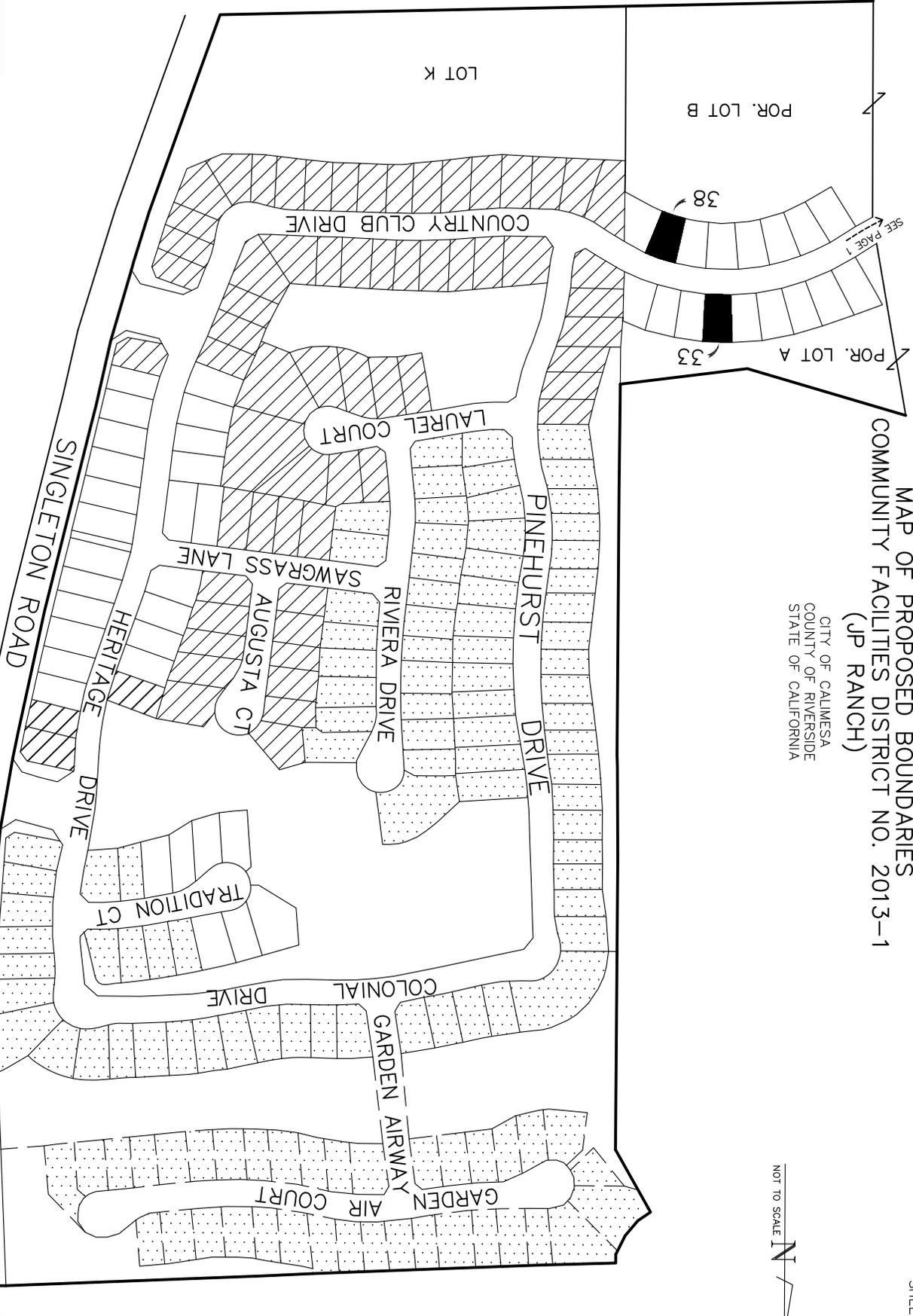


EXHIBIT B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

**COMMUNITY FACILITIES DISTRICT NO. 2013-1
(JP RANCH)
IMPROVEMENT AREA NO. 1
OF THE CITY OF CALIMESA
RATE AND METHOD OF APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property (as defined below) within the boundaries of Improvement Area No. 1 (“IA No. 1”) of Community Facilities District No. 2013-1 (JP Ranch), (“CFD No. 2013-1”) of the City of Calimesa (“City”) and collected each Fiscal Year commencing in Fiscal Year 2013/2014 in an amount determined by the City Council (as defined below), through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

“**Acreage**” or “**Acre**” 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 Subdivision Map, parcel map, condominium plan, or other recorded County parcel map. An Acre means 43,560 square feet of land.

“**Act**” means 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.

“**Administrative Expenses**” means the expenses incurred by the City on behalf of IA No. 1 related to the determination of the amount of the levy of Annual Special Taxes; the collection of Annual Special Taxes including the expenses of collecting delinquencies; the administration of the Bonds; the payment of salaries and benefits of any employee of the City whose employment duties are directly related to the administration of IA No. 1; and the costs otherwise incurred in order to carry out authorized purposes of IA No. 1.

“**Annual Special Tax**” means any Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“**Assessor**” means the Assessor of the County.

“**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 County designating parcels by Assessor’s Parcel number.

“**Assigned Special Tax A**” means the Special Tax A for each Land Use Class, as determined in accordance with Section 3 below.

“Backup Special Tax A” means the Special Tax amount applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section 3.A (ii) below.

“Bonds” means any obligation of IA No. 1 to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, secured in whole or in part by the levy of Special Taxes.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2013-1, IA No. 1 issued by the City, or another public agency in the event the City no longer issues building permits.

“Building Square Footage” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services, for preparing the Annual Special Tax roll and calculating the Backup Special Tax A.

“CFD No. 2013-1” means Community Facilities District No. 2013-1 (JP Ranch) of the City.

“City” means the City of Calimesa, California.

“City Council” means the City Council of the City of Calimesa, acting as the legislative body of CFD No. 2013-1, or its designee.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles-Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the Los Angeles-Anaheim-Riverside Area, as determined by the CFD Administrator.

“Contingent Special Tax Requirement for Services” means that amount required in any Fiscal Year, if the HOA is unable to maintain the landscaping to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax C (Contingent) levy as determined by the CFD Administrator.

“County” means the County of Riverside, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means (i) for Zone 2 each Fiscal Year, all Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Provisional Undeveloped Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year; and (ii) for Zone 1 each Fiscal Year, all Assessor’s Parcels of Taxable Property.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 9.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

“Homeowner’s Association” or “HOA” means the homeowner’s association established to maintain certain landscaping within IA No. 1.

“Improvement Area 1” or “IA No. 1” means Improvement Area No. 1 of CFD No. 2013-1, as identified on the boundary map for CFD No. 2013-1, as in effect on the date of formation of IA No. 1, and as may thereafter be amended in accordance with the Act.

“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 listed in Table 1 or Table 2 under Section 3 below.

“Lot” means an individual legal lot created by a Final Subdivision Map.

“Lot 33” means the property identified on Tract Map No. 26925, dated March 21, 2005 which consists of approximately 0.1371 Acres as depicted on Exhibit A.

“Lot 38” means the property identified on Tract Map No. 26925, dated March 21, 2005 which consists of approximately 0.1371 Acres as depicted on Exhibit A.

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of the Maximum Special Tax A prior to the issuance of Bonds as set forth in Section 7 below.

“Maximum Special Tax A” means the Maximum Special Tax A (Facilities), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B (Services), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax C (Contingent)” means the Maximum Special Tax C (Contingent), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax A Obligation applicable to an Assessor’s Parcel of Taxable Property as set forth in Section 6.B below.

“Property Tax Burden” means the total annual estimated amount of taxes a residential owner would expect to pay including ad valorem property taxes, special assessments, fees and charges placed on the County property tax bill and is expressed as a percentage of value as determined in Section 7.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax A or Maximum Special Tax B, as applicable, per Acre is equal for all Assessor’s Parcels of Undeveloped Property. The term “Proportionately” may similarly be applied to other categories of Taxable Property as described in Section 3 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 9, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 9.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“Services” means the services eligible to be funded by IA No. 1.

“Special Tax” means any special tax authorized to be levied within CFD No. 2013-1 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax A” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 1 to fund the Special Tax Requirement for Facilities.

“Special Tax A Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the remaining life of CFD No. 2013-1.

“Special Tax B” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 1 to fund the Special Tax Requirement for Services.

“Special Tax C (Contingent)” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 1 to fund the Contingent Special Tax Requirement for Services, if required.

“Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to: (i) pay Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) the costs associated with the release of funds from an escrow account established in association with the Bonds; (vi) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property, and (vii) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2013-1 IA1, which are not exempt from the levy of the Special Tax pursuant to law or Section 9 below.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA No. 1 not classified as Developed Property or Provisional Undeveloped Property.

“Zone” means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

“Zone 1” means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Apportionment.

“Zone 2” means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Apportionment.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2013/2014, (i) each Assessor’s Parcel shall be classified as Taxable Property or Exempt Property; (ii) each Assessor’s Parcel of Taxable Property shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property; and (iii) each Assessor’s Parcel shall be assigned a Zone in accordance with Exhibit A. Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcels of Developed Property which is a Residential Unit shall be classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Special Tax A (Facilities)

i. Developed Property

The Maximum Special Tax A applicable to an Assessor’s Parcel classified as Developed Property for Fiscal Year 2013/2014 shall be the greater of (i) the Assigned Special Tax A determined pursuant to Table 1 for Zone 1 and Table 2 for Zone 2 below or (ii) the amount derived by application of the Backup Special Tax A.

**Table 1
Assigned Special Tax A Rates, Zone 1
Fiscal Year 2013/2014**

Land Use Class	Building Square Footage	Assigned Special Tax A
1	2,100 or less Sq. Ft.	\$345 per Residential Unit
2	2,101 to 2,200 Sq. Ft.	\$410 per Residential Unit
3	2,201 to 2,500 Sq. Ft.	\$520 per Residential Unit
4	2,501 to 2,700 Sq. Ft.	\$590 per Residential Unit
5	2,701 to 2,900 Sq. Ft.	\$845 per Residential Unit
6	Greater than 2,900 Sq. Ft.	\$900 per Residential Unit

**Table 2
Assigned Special Tax A Rates, Zone 2
Fiscal Year 2013/2014**

Land Use Class	Building Square Footage	Assigned Special Tax A
1	2,100 or less Sq. Ft.	\$1,480 per Residential Unit
2	2,101 to 2,300 Sq. Ft.	\$1,628 per Residential Unit
3	2,301 to 2,500 Sq. Ft.	\$1,776 per Residential Unit
4	2,501 to 2,700 Sq. Ft.	\$1,924 per Residential Unit
5	2,701 to 2,900 Sq. Ft.	\$2,072 per Residential Unit
6	2,901 to 3,100 Sq. Ft.	\$2,220 per Residential Unit
7	Greater than 3,100 Sq. Ft.	\$2,368 per Residential Unit

Each July 1, commencing July 1, 2014, the Assigned Special Tax A for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Backup Special Tax A and Undeveloped Property Maximum Special Tax A

The Backup Special Tax A applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax A applicable to an

Assessor's Parcel of Undeveloped Property for Fiscal Year 2013/2014 shall be determined by reference to Table 3.

Each July 1, commencing July 1, 2014, the Backup Special Tax A for Developed Property in either Zone 1 or Zone 2 shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Table 3
Backup Special Tax A and Undeveloped Property Special Tax A
Fiscal Year 2013/2014

Zone	Backup Special Tax A Fiscal Year 2013/14	Undeveloped Property Maximum Special Tax A
1	\$486 Per Lot	N/A
2	\$1,630 Per Lot	\$1,630 per Lot

iii. Provisional Undeveloped Property

The Maximum Special Tax A for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be determined by reference to Table 4.

Each July 1, commencing July 1, 2014, the Maximum Special Tax A for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

Table 4
Provisional Undeveloped Property Special Tax A
Fiscal Year 2013/2014

Zone	Provisional Undeveloped Property Special Tax A Fiscal Year 2013/14
1	\$3,321 Per Acre
2	\$10,024 Per Acre

B. Special Tax B (Services)

i. Developed Property and Undeveloped Property

The Maximum Special Tax B rates for Developed Property and Undeveloped Property for Fiscal Year 2013/2014 are shown in Table 5 below.

**Table 5
Developed and Undeveloped Property Special Tax B
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax B
Developed Property	\$577 per Residential Unit
Undeveloped Property	\$577 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax B for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$3,491.00 per Acre.

Each July 1 commencing July 1, 2014, the Maximum Special Tax B shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

C. Special Tax C (Contingent)

i. Developed Property and Undeveloped Property

The Maximum Special Tax C (Contingent) rates for Developed Property and Undeveloped Property for Fiscal Year 2013/2014 are shown in Table 6 below.

**Table 6
Developed and Undeveloped Property Special Tax C (Contingent)
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax C
Developed Property	\$681 per Residential Unit
Undeveloped Property	\$681 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax C (Contingent) for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$4,120.23 per Acre

Each July 1 commencing July 1, 2014, the Maximum Special Tax C (Contingent) shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

A. Special Tax A (Facilities)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Facilities and levy Special Tax A on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax A as necessary to satisfy the Special Tax Requirement for Facilities;

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

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is determined through the application of the Backup Special Tax A shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax A for Provisional Undeveloped Property.

B. Special Tax B (Services)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Services and levy Special Tax B on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax B for Developed Property and on each Assessor's Parcel of Undeveloped

Property up to 50% of the applicable Maximum Special Tax B for Undeveloped Property as necessary to satisfy the Special Tax Requirement for Services;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement for Services after Step 1 has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax B;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax B shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax B for Provisional Undeveloped Property.

C. Special Tax C (Contingent)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Contingent Special Tax Requirement for Services and if the Contingent Special Tax Requirement is greater than \$0, Special Tax C shall be levied on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax C shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax C for Developed Property and on each Assessor's Parcel of Undeveloped Property up to 50% of the applicable Maximum Special Tax C for Undeveloped Property as necessary to satisfy the Contingent Special Tax Requirement for Services

Step 2: If additional monies are needed to satisfy the Contingent Special Tax Requirement for Services after the first step has been completed, the Special Tax C shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax C;

Step 3: If additional monies are needed to satisfy the Contingent Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax C shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax C for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 1, except for those Assessor's Parcels of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within IA No. 1.

5. COLLECTON OF ANNUAL SPECIAL TAXES

Collection of the Annual Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the City Council may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes to meet the financial obligations of IA No. 1.

6. PREPAYMENT OF SPECIAL TAX A OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax A Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

The following definitions apply to this Section 6:

“IA No. 1 Public Facilities Costs” means \$344,216 for Zone 1 and \$1,685,965 for Zone 2 in 2013 dollars, which shall increase by the Construction Inflation Index on July 1, 2014, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the authorized Mello-Roos financing program for IA No. 1, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more IA No. 1 Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

“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 IA No. 1 Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance IA No. 1 Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

“Previously Issued Bonds” means all IA No. 1 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax A Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel 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 and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (as defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than sixty (60) days prior to any redemption date for the CFD No. 2013-1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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

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

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For an Assessor’s Parcel of Developed Property, determine the Maximum Special Tax A. For an Assessor’s Parcel 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 IA No. 1 based on the Developed Property Special Tax A which could be levied in the current Fiscal Year on all expected development through build-out of IA No. 1 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax A Obligation has 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 (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (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 Prepayment 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. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the "Defeasance Amount").
11. 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 "Prepayment Administrative Fees and Expenses").
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, 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"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.

13. 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 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").
14. The Special Tax A Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the "Prepayment Amount").
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by IA No. 1.

The Prepayment Amount may be sufficient to redeem an amount 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 redeem Bonds to be used with the next prepayment of Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the City Council 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 Special Tax A Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the Partial Prepayment

P_E = the Prepayment Amount calculated according to Section 6.A.

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. 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 sixty (60) 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 6.A., and (ii) indicate in the records of IA No. 1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

7. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden shall be calculated by the CFD Administrator pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of formation of the District (the "2012 Goals and Policies") on Developed Property based on an average value for each Land Use Class for which Residential Units have been constructed. The values may be calculated by the CFD Administrator, an appraiser or other means as determined by the City. The Maximum Special Tax A on Developed Property set forth in Section 3.A of this Rate and Method of

Apportionment shall be reduced Proportionately for each Land Use Class if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum level allowed in the 2012 Goals and Policies.

If the Mandatory Maximum Special Tax Reduction is implemented, then the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Tax A rates.

8. TERM OF SPECIAL TAX

Special Tax A shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds has been issued, but shall not be levied for a period to exceed fifty (50) Fiscal Years commencing with Fiscal Year 2013/2014.

Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

Special Tax C (Contingent) shall be levied as long as necessary to meet the Contingent Special Tax Requirement for Services.

9. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iii) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (iv) Assessor's Parcels that consist of Lot 33 and Lot 38, and (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA No. 1, Zone 1 to less than 6.45 Acres and all Taxable Property in IA No. 1, Zone 2 to less than 10.57 Acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA No. 1, Zone 1 to less than 6.45 Acres and Zone 2 to less than 10.57 Acres shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Tax A accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of this Section 9 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

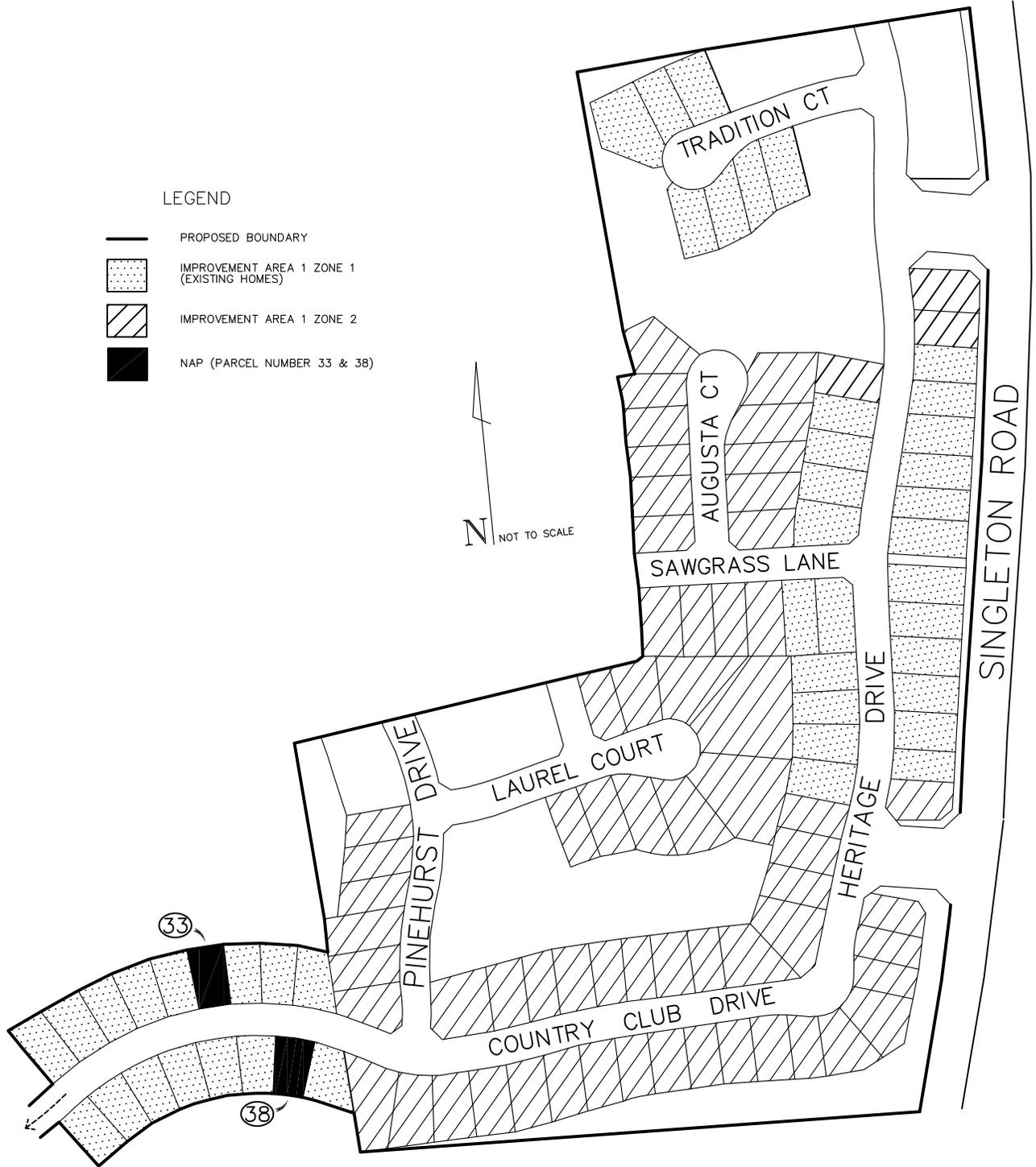
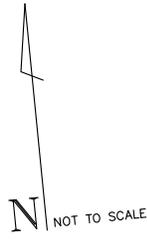
10. APPEALS

Any landowner who pays the Annual Special Tax and claims the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may recommend changing the amount of the Annual Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager, or designee of the City, appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Annual Special Tax and any landowner appeals. The decision of the City Manager or designee shall be final and binding as to all persons.

EXHIBIT A
 SPECIAL TAX ZONE MAP
 COMMUNITY FACILITIES DISTRICT NO. 2013-1
 (JP RANCH)
 IMPROVEMENT AREA NO. 1

LEGEND

-  PROPOSED BOUNDARY
-  IMPROVEMENT AREA 1 ZONE 1
(EXISTING HOMES)
-  IMPROVEMENT AREA 1 ZONE 2
-  NAP (PARCEL NUMBER 33 & 38)



**COMMUNITY FACILITIES DISTRICT NO. 2013-1
(JP RANCH)
IMPROVEMENT AREA NO. 2
OF THE CITY OF CALIMESA
RATE AND METHOD OF APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property (as defined below) within the boundaries of Improvement Area No. 2 (“IA No. 2”) of Community Facilities District No. 2013-1 (JP Ranch), (“CFD No. 2013-1”) of the City of Calimesa (“City”) and collected each Fiscal Year commencing in Fiscal Year 2013/2014 in an amount determined by the City Council (as defined below), through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

“**Acreage**” or “**Acre**” 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 Subdivision Map, parcel map, condominium plan, or other recorded County parcel map. An Acre means 43,560 square feet of land.

“**Act**” means 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.

“**Administrative Expenses**” means the expenses incurred by the City on behalf of IA No. 2 related to the determination of the amount of the levy of Annual Special Taxes; the collection of Annual Special Taxes including the expenses of collecting delinquencies; the administration of the Bonds; the payment of salaries and benefits of any employee of the City whose employment duties are directly related to the administration of IA No. 2; and the costs otherwise incurred in order to carry out authorized purposes of IA No. 2.

“**Annual Special Tax**” means any Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“**Assessor**” means the Assessor of the County.

“**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 County designating parcels by Assessor’s Parcel number.

“**Assigned Special Tax A**” means the Special Tax A for each Land Use Class, as determined in accordance with Section 3 below.

“Backup Special Tax A” means the Special Tax amount applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section 3.A (ii) below.

“Bonds” means any obligation of IA No. 2 to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, secured in whole or in part by the levy of Special Taxes.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2013-1, IA No. 2 issued by the City, or another public agency in the event the City no longer issues building permits.

“Building Square Footage” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services, for preparing the Annual Special Tax roll and calculating the Backup Special Tax A.

“CFD No. 2013-1” means Community Facilities District No. 2013-1 (JP Ranch) of the City.

“City” means the City of Calimesa, California.

“City Council” means the City Council of the City of Calimesa, acting as the legislative body of CFD No. 2013-1, or its designee.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles-Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the Los Angeles-Anaheim-Riverside Area, as determined by the CFD Administrator.

“Contingent Special Tax Requirement for Services” means that amount required in any Fiscal Year, if the HOA is unable to maintain the landscaping to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator;

less a credit for funds available to reduce the annual Special Tax C (Contingent) levy as determined by the CFD Administrator.

“County” means the County of Riverside, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Provisional Undeveloped Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 9.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

“Homeowner’s Association” or “HOA” means the homeowner’s association established to maintain certain landscaping within IA No. 2.

“Improvement Area No. 2” or “IA No. 2” means Improvement Area No. 2 of CFD No. 2013-1, as identified on the boundary map for CFD No. 2013-1, as in effect on the date of formation of IA No. 2, and as may thereafter be amended in accordance with the Act.

“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 listed in Table 1 under Section 3 below.

“Lot” means an individual legal lot created by a Final Subdivision Map.

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of the Maximum Special Tax A prior to the issuance of Bonds as set forth in Section 7 below.

“Maximum Special Tax A” means the Maximum Special Tax A (Facilities), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B (Services), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax C (Contingent)” means the Maximum Special Tax C (Contingent), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax A Obligation applicable to an Assessor’s Parcel of Taxable Property as set forth in Section 6.B below.

“Property Tax Burden” means the total annual estimated amount of taxes a residential owner would expect to pay including ad valorem property taxes, special assessments, fees and charges placed on the County property tax bill and is expressed as a percentage of value as determined in Section 7.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax A or Maximum Special Tax B, as applicable, per Acre is equal for all Assessor’s Parcels of Undeveloped Property. The term “Proportionately” may similarly be applied to other categories of Taxable Property as described in Section 3 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 9, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 9.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“Services” means the services eligible to be funded by IA No. 2.

“Special Tax” means any special tax authorized to be levied within CFD No. 2013-1 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax A” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 2 to fund the Special Tax Requirement for Facilities.

“Special Tax A Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the remaining life of CFD No. 2013-1.

“Special Tax B” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 2 to fund the Special Tax Requirement for Services.

“Special Tax C (Contingent)” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 2 to fund the Contingent Special Tax Requirement for Services, if required.

“Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to: (i) pay Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) the costs associated with the release of funds from an escrow account established in association with the Bonds; (vi) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property, and (vii) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2013-1 IA2, which are not exempt from the levy of the Special Tax pursuant to law or Section 9 below.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA No. 2 not classified as Developed Property or Provisional Undeveloped Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2013/2014, each Assessor's Parcel within the boundaries of IA No. 2 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property within IA No. 2 shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor's Parcels of Developed Property which is a Residential Unit shall be classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Special Tax A (Facilities)

i. Developed Property

The Maximum Special Tax A applicable to an Assessor's Parcel classified as Developed Property for Fiscal Year 2013/2014 shall be the greater of (i) the Assigned Special Tax A determined pursuant to Table 1 below or (ii) the amount derived by application of the Backup Special Tax A.

Table 1
Assigned Special Tax A Rates
Fiscal Year 2013/2014

Land Use Class	Building Square Footage	Assigned Special Tax A
1	2,100 or less Sq. Ft.	\$1,480 per Residential Unit
2	2,101 to 2,300 Sq. Ft.	\$1,628 per Residential Unit
3	2,301 to 2,500 Sq. Ft.	\$1,776 per Residential Unit
4	2,501 to 2,700 Sq. Ft.	\$1,924 per Residential Unit
5	2,701 to 2,900 Sq. Ft.	\$2,072 per Residential Unit
6	2,901 to 3,100 Sq. Ft.	\$2,220 per Residential Unit
7	Greater than 3,100 Sq. Ft.	\$2,368 per Residential Unit

Each July 1, commencing July 1, 2014, the Assigned Special Tax A for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Backup Special Tax A and Undeveloped Property Maximum Special Tax A

The Backup Special Tax A applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax A applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2013/2014 shall be \$1,927 per Lot.

Each July 1, commencing July 1, 2014, the Backup Special Tax A for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

iii. Provisional Undeveloped Property

The Maximum Special Tax A for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$12,996 per Acre.

Each July 1, commencing July 1, 2014, the Maximum Special Tax A for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Special Tax B (Services)

i. Developed Property and Undeveloped Property

The Expected Special Tax B and Maximum Special Tax B for Developed Property for Fiscal Year 2013/2014 are shown in Table 2 below.

**Table 2
Developed and Undeveloped Property Special Tax B
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax B
Developed Property	\$577 per Residential Unit
Undeveloped Property	\$577 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax B for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$3,491.00 per Acre.

Each July 1 commencing July 1, 2014, the Maximum Special Tax B shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

C. Special Tax C (Contingent)

i. Developed Property and Undeveloped Property

The Maximum Special Tax C (Contingent) rates for Developed Property and Undeveloped Property for Fiscal Year 2013/2014 are shown in Table 3 below.

**Table 3
Developed and Undeveloped Property Special Tax C (Contingent)
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax C
Developed Property	\$681 per Residential Unit
Undeveloped Property	\$681 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax C (Contingent) for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$4,120.23 per Acre.

Each July 1 commencing July 1, 2014, the Maximum Special Tax C (Contingent) shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

A. Special Tax A (Facilities)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Facilities and levy Special Tax A on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax A as necessary to satisfy the Special Tax Requirement for Facilities;

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

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is determined through the application of the Backup Special Tax A

shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax A for Provisional Undeveloped Property.

B. Special Tax B (Services)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Services and levy Special Tax B on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Expected Special Tax B for Developed Property and on each Assessor's Parcel of Undeveloped Property up to 50% of the applicable Maximum Special Tax B for Undeveloped Property as necessary to satisfy the Special Tax Requirement for Services;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement for Services after Step 1 has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax B;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax B shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax B for Provisional Undeveloped Property.

C. Special Tax C (Contingent)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Contingent Special Tax Requirement for Services and if the Contingent Special Tax Requirement is greater than \$0, Special Tax C shall be levied on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax C shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax C for Developed Property and on each Assessor's Parcel of Undeveloped Property up to 50% of the applicable Maximum Special Tax C for Undeveloped Property as necessary to satisfy the Special Tax Requirement for Services

Step 2: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first step has been completed, the Special Tax C shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax C;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax C shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax C for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 2, except for those Assessor's Parcels of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within IA No. 2.

5. COLLECTON OF ANNUAL SPECIAL TAXES

Collection of the Annual Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the City Council may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes to meet the financial obligations of IA No. 2.

6. PREPAYMENT OF SPECIAL TAX A OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax A Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

The following definitions apply to this Section 6:

“IA No. 2 Public Facilities Costs” means \$3,586,208 in 2013 dollars, which shall increase by the Construction Inflation Index on July 1, 2014, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the authorized Mello-Roos financing program for IA No. 2, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more IA No. 2 Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

“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 IA No. 2 Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance IA No. 2 Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

“Previously Issued Bonds” means all IA No. 2 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax A Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel 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 and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (as defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than sixty (60) days prior to any redemption date for the CFD No. 2013-1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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 Prepayment Amount
plus	Defeasance Amount
plus	Prepayment 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:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For an Assessor’s Parcel of Developed Property, determine the Maximum Special Tax A. For an Assessor’s Parcel 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 IA No. 2 based on the Developed Property Special Tax A which could be levied in the current Fiscal Year on all expected development through build-out of IA No. 2 as determined by the CFD Administrator, excluding any Assessor’s Parcels for which the Special Tax A Obligation has 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 (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (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 Prepayment 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. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the “Defeasance Amount”).
11. 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 “Prepayment Administrative Fees and Expenses”).
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, 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”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
13. 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 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”).
14. The Special Tax A Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the “Prepayment Amount”).
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by IA No. 2.

The Prepayment Amount may be sufficient to redeem an amount 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 redeem Bonds to be used with the next prepayment of Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the City Council 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 Special Tax A Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the Partial Prepayment

P_E = the Prepayment Amount calculated according to Section 6.A.

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. 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 sixty (60) 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 6.A., and (ii) indicate in the records of IA No. 2 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage

(1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

7. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden shall be calculated by the CFD Administrator pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of formation of the District (the "2012 Goals and Policies") on Developed Property based on an average value for each Land Use Class for which Residential Units have been constructed. The values may be calculated by the CFD Administrator, an appraiser or other means as determined by the City. The Maximum Special Tax A on Developed Property set forth in Section 3.A of this Rate and Method of Apportionment shall be reduced Proportionately for each Land Use Class if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum level allowed in the 2012 Goals and Policies.

If the Mandatory Maximum Special Tax Reduction is implemented, then the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Tax A rates.

8. TERM OF SPECIAL TAX

Special Tax A shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds has been issued, but shall not be levied for a period to exceed fifty (50) Fiscal Years commencing with Fiscal Year 2013/2014.

Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

Special Tax C (Contingent) shall be levied as long as necessary to meet the Contingent Special Tax Requirement for Services.

9. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iii) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA No. 2 to less than 17.34 acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA No. 2 to less

than 17.34 acres shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Tax A accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of this Section 9 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

10. APPEALS

Any landowner who pays the Annual Special Tax and claims the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may recommend changing the amount of the Annual Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager, or designee of the City, appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Annual Special Tax and any landowner appeals. The decision of the City Manager or designee shall be final and binding as to all persons.

**COMMUNITY FACILITIES DISTRICT NO. 2013-1
(JP RANCH)
IMPROVEMENT AREA NO. 3
OF THE CITY OF CALIMESA
RATE AND METHOD OF APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property (as defined below) within the boundaries of Improvement Area No. 3 (“IA No. 3”) of Community Facilities District No. 2013-1 (JP Ranch), (“CFD No. 2013-1”) of the City of Calimesa (“City”) and collected each Fiscal Year commencing in Fiscal Year 2013/2014 in an amount determined by the City Council (as defined below), through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

“**Acreage**” or “**Acre**” 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 Subdivision Map, parcel map, condominium plan, or other recorded County parcel map. An Acre means 43,560 square feet of land.

“**Act**” means 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.

“**Administrative Expenses**” means the expenses incurred by the City on behalf of IA No. 3 related to the determination of the amount of the levy of Annual Special Taxes; the collection of Annual Special Taxes including the expenses of collecting delinquencies; the administration of the Bonds; the payment of salaries and benefits of any employee of the City whose employment duties are directly related to the administration of IA No. 3; and the costs otherwise incurred in order to carry out authorized purposes of IA No. 3.

“**Annual Special Tax**” means any Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“**Assessor**” means the Assessor of the County.

“**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 County designating parcels by Assessor’s Parcel number.

“**Assigned Special Tax A**” means the Special Tax A for each Land Use Class, as determined in accordance with Section 3 below.

“Backup Special Tax A” means the Special Tax amount applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section 3.A (ii) below.

“Bonds” means any obligation of IA No. 3 to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, secured in whole or in part by the levy of Special Taxes.

“Building Permit” means a building permit for the construction of one or more Residential Units within CFD No. 2013-1, IA No. 3 issued by the City, or another public agency in the event the City no longer issues building permits.

“Building Square Footage” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Building Square Footage shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel.

“Calendar Year” means the period commencing January 1 of any year and ending the following December 31.

“CFD Administrator” means an authorized representative of the City, or designee thereof, responsible for determining the Special Tax Requirement for Facilities and the Special Tax Requirement for Services, for preparing the Annual Special Tax roll and calculating the Backup Special Tax A.

“CFD No. 2013-1” means Community Facilities District No. 2013-1 (JP Ranch) of the City.

“City” means the City of Calimesa, California.

“City Council” means the City Council of the City of Calimesa, acting as the legislative body of CFD No. 2013-1, or its designee.

“Consumer Price Index” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Urban Consumers” in the Los Angeles-Anaheim-Riverside Area, measured as of the month of April in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index that is reasonably comparable to the Consumer Price Index for the Los Angeles-Anaheim-Riverside Area, as determined by the CFD Administrator.

“Contingent Special Tax Requirement for Services” means that amount required in any Fiscal Year, if the HOA is unable to maintain the landscaping to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator;

less a credit for funds available to reduce the annual Special Tax C (Contingent) levy as determined by the CFD Administrator.

“County” means the County of Riverside, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Provisional Undeveloped Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 9.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 1352 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

“Homeowner’s Association” or “HOA” means the homeowner’s association established to maintain certain landscaping within IA No. 3.

“Improvement Area No. 3” or “IA No. 3” means Improvement Area No. 3 of CFD No. 2013-1, as identified on the boundary map for CFD No. 2013-1, as in effect on the date of formation of IA No. 3, and as may thereafter be amended in accordance with the Act.

“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 listed in Table 1 under Section 3 below.

“Lot” means an individual legal lot created by a Final Subdivision Map.

“Mandatory Maximum Special Tax Reduction” means a mandatory reduction of the Maximum Special Tax A prior to the issuance of Bonds as set forth in Section 7 below.

“Maximum Special Tax A” means the Maximum Special Tax A (Facilities), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax B” means the Maximum Special Tax B (Services), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Maximum Special Tax C (Contingent)” means the Maximum Special Tax C (Contingent), determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

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

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax A Obligation applicable to an Assessor’s Parcel of Taxable Property as set forth in Section 6.B below.

“Property Tax Burden” means the total annual estimated amount of taxes a residential owner would expect to pay including ad valorem property taxes, special assessments, fees and charges placed on the County property tax bill and is expressed as a percentage of value as determined in Section 7.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax A or Maximum Special Tax B, as applicable, per Acre is equal for all Assessor’s Parcels of Undeveloped Property. The term “Proportionately” may similarly be applied to other categories of Taxable Property as described in Section 3 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 9, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 9.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“Services” means the services eligible to be funded by IA No. 3.

“Special Tax” means any special tax authorized to be levied within CFD No. 2013-1 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax A” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 3 to fund the Special Tax Requirement for Facilities.

“Special Tax A Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax A for the remaining life of CFD No. 2013-1.

“Special Tax B” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 3 to fund the Special Tax Requirement for Services.

“Special Tax C (Contingent)” means the Special Tax to be levied in each Fiscal Year on each Assessor’s Parcel of Taxable Property within IA No. 3 to fund the Contingent Special Tax Requirement for Services, if required.

“Special Tax Requirement for Facilities” means that amount required in any Fiscal Year to: (i) pay Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) the costs associated with the release of funds from an escrow account established in association with the Bonds; (vi) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such amount does not cause an increase in the Special Tax to be levied on Undeveloped Property, and (vii) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“Special Tax Requirement for Services” means that amount required in any Fiscal Year to: (i) pay the costs of Services incurred or otherwise payable in the Calendar Year commencing in such Fiscal Year; (ii) fund an operating reserve for the costs of Services as determined by the CFD Administrator; less a credit for funds available to reduce the annual Special Tax B levy as determined by the CFD Administrator.

“State” means the State of California.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2013-1 IA3, which are not exempt from the levy of the Special Tax pursuant to law or Section 9 below.

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

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA No. 3 not classified as Developed Property or Provisional Undeveloped Property.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2013/2014, each Assessor’s Parcel within the boundaries of IA No. 3 shall be classified as Taxable Property or Exempt Property. In addition, all Taxable Property within IA No. 3 shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcels of Developed Property which is a Residential Unit shall be classified to its applicable Land Use Class based on its Building Square Footage.

3. MAXIMUM SPECIAL TAX RATES

A. Special Tax A (Facilities)

i. Developed Property

The Maximum Special Tax A applicable to an Assessor’s Parcel classified as Developed Property for Fiscal Year 2013/2014 shall be the greater of (i) the Assigned Special Tax A determined pursuant to Table 1 below or (ii) the amount derived by application of the Backup Special Tax A.

**Table 1
Assigned Special Tax A Rates
Fiscal Year 2013/2014**

Land Use Class	Building Square Footage	Assigned Special Tax A
1	2,100 or less Sq. Ft.	\$1,480 per Residential Unit
2	2,101 to 2,300 Sq. Ft.	\$1,628 per Residential Unit
3	2,301 to 2,500 Sq. Ft.	\$1,776 per Residential Unit
4	2,501 to 2,700 Sq. Ft.	\$1,924 per Residential Unit
5	2,701 to 2,900 Sq. Ft.	\$2,072 per Residential Unit
6	2,901 to 3,100 Sq. Ft.	\$2,220 per Residential Unit
7	Greater than 3,100 Sq. Ft	\$2,368 per Residential Unit

Each July 1, commencing July 1, 2014, the Maximum Special Tax A for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Backup Special Tax A and Undeveloped Property Maximum Special Tax A

The Backup Special Tax A applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax A applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2013/2014 shall be \$2,222 per Lot.

Each July 1, commencing July 1, 2014, the Backup Special Tax A for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

iii. Provisional Undeveloped Property

The Maximum Special Tax A for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$14,028 per Acre.

Each July 1, commencing July 1, 2014, the Maximum Special Tax A for Provisional Undeveloped Property and Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Special Tax B (Services)

i. Developed Property and Undeveloped Property

The Expected Special Tax B and Maximum Special Tax B for Developed Property for Fiscal Year 2013/2014 are shown in Table 2 below.

**Table 2
Developed and Undeveloped Property Special Tax B
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax B
Developed Property	\$577 per Residential Unit
Undeveloped Property	\$577 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax C for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$3,491.00 per Acre.

Each July 1 commencing July 1, 2014, the Maximum Special Tax C shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

C. Special Tax C (Contingent)

i. Developed Property and Undeveloped Property

The Maximum Special Tax C (Contingent) rates for Developed Property and Undeveloped Property for Fiscal Year 2013/2014 are shown in Table 3 below.

**Table 3
Developed and Undeveloped Property Special Tax C (Contingent)
Fiscal Year 2013/2014**

Property Type	Maximum Special Tax C
Developed Property	\$681 per Residential Unit
Undeveloped Property	\$681 per Lot

ii. Provisional Undeveloped Property

The Maximum Special Tax C (Contingent) for Provisional Undeveloped Property for Fiscal Year 2013/2014 shall be \$4,120.23 per Acre

Each July 1 commencing July 1, 2014, the Maximum Special Tax C (Contingent) shall be increased by the greater of (i) the most recent annual percentage change in the Consumer Price Index or (ii) two-percent (2%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

A. Special Tax A (Facilities)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Facilities and levy Special Tax A on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax A as necessary to satisfy the Special Tax Requirement for Facilities;

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

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first two steps have been completed, then the levy of the Special Tax A on each Assessor's Parcel of Developed Property whose Maximum Special Tax A is determined through the application of the Backup Special Tax A

shall be increased Proportionately from the Assigned Special Tax A up to 100% of the Maximum Special Tax A for each such Assessor's Parcel; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement for Facilities after the first three steps have been completed, then the Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax A for Provisional Undeveloped Property.

B. Special Tax B (Services)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Special Tax Requirement for Services and levy Special Tax B on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax B shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax B for Developed Property and on each Assessor's Parcel of Undeveloped Property up to 50% of the applicable Maximum Special Tax B for Undeveloped Property as necessary to satisfy the Special Tax Requirement for Services;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement for Services after Step 1 has been completed, the Special Tax B shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax B;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax B shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax B for Provisional Undeveloped Property.

C. Special Tax C (Contingent)

For each Fiscal Year, commencing Fiscal Year 2013/2014, the CFD Administrator shall calculate the Contingent Special Tax Requirement for Services and if the Contingent Special Tax Requirement for Services is greater than \$0, Special Tax C shall be levied on all Taxable Property in accordance with the following steps:

Step 1: Special Tax C shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Maximum Special Tax C for Developed Property and on each Assessor's Parcel of Undeveloped Property up to 50% of the applicable Maximum Special Tax C for Undeveloped Property as necessary to satisfy the Contingent Special Tax Requirement for Services.

Step 2: If additional monies are needed to satisfy the Contingent Special Tax Requirement for Services after the first step has been completed, the Special Tax C shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Special Tax C;

Step 3: If additional monies are needed to satisfy the Contingent Special Tax Requirement for Services after the first two steps have been completed, then the Special Tax C shall be levied in equal percentages on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax C for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA No. 3, except for those Assessor's Parcels of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within IA No. 3.

5. COLLECTON OF ANNUAL SPECIAL TAXES

Collection of the Annual Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the City Council may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes to meet the financial obligations of IA No. 3.

6. PREPAYMENT OF SPECIAL TAX A OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax A Obligation by a cash settlement with the City as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

The following definitions apply to this Section 6:

"IA No. 3 Public Facilities Costs" means \$2,827,995 in 2013 dollars, which shall increase by the Construction Inflation Index on July 1, 2014, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the facilities to be financed under the authorized Mello-Roos financing program for IA No. 3, or (ii) shall be determined by the City Council concurrently with a covenant that it will not issue any more IA No. 3 Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the facilities or pay fees.

“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 IA No. 3 Public Facilities Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance IA No. 3 Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

“Previously Issued Bonds” means all IA No. 3 Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax A Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel 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 and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (as defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than sixty (60) days prior to any redemption date for the CFD No. 2013-1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the City.

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 Prepayment Amount
plus	Defeasance Amount
plus	Prepayment 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:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor’s Parcel.
2. For an Assessor’s Parcel of Developed Property, determine the Maximum Special Tax A. For an Assessor’s Parcel 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 IA No. 3 based on the Developed Property Special Tax A which could be levied in the current Fiscal Year on all expected development through build-out of IA No. 3 as determined by the CFD Administrator, excluding any Assessor’s Parcels for which the Special Tax A Obligation has 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 (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (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 Prepayment 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. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the “Defeasance Amount”).
11. Verify the administrative fees and expenses of IA No. 3, 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 “Prepayment Administrative Fees and Expenses”).
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, 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”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
13. 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 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”).
14. The Special Tax A Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the “Prepayment Amount”).
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by IA No. 3.

The Prepayment Amount may be sufficient to redeem an amount 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 redeem Bonds to be used with the next prepayment of Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the City Council 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 Special Tax A Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax A on an Assessor's Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

- PP = the Partial Prepayment
- P_E = the Prepayment Amount calculated according to Section 6.A.
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. 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 sixty (60) 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 6.A., and (ii) indicate in the records of IA No. 3 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage

(1.00 - F) of the remaining Maximum Special Tax A, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

7. MANDATORY MAXIMUM SPECIAL TAX REDUCTION

Prior to the issuance of Bonds, the Property Tax Burden shall be calculated by the CFD Administrator pursuant to the Land Secured Financing Policy adopted pursuant to City Council Resolution in effect at the time of formation of the District (the "2012 Goals and Policies") on Developed Property based on an average value for each Land Use Class for which Residential Units have been constructed. The values may be calculated by the CFD Administrator, an appraiser or other means as determined by the City. The Maximum Special Tax A on Developed Property set forth in Section 3.A of this Rate and Method of Apportionment shall be reduced Proportionately for each Land Use Class if it is reasonably determined by the CFD Administrator that the Property Tax Burden exceeds the maximum level allowed in the 2012 Goals and Policies.

If the Mandatory Maximum Special Tax Reduction is implemented, then the City Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the lower Maximum Special Tax A rates.

8. TERM OF SPECIAL TAX

Special Tax A shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds has been issued, but shall not be levied for a period to exceed fifty (50) Fiscal Years commencing with Fiscal Year 2013/2014.

Special Tax B shall be levied as long as necessary to meet the Special Tax Requirement for Services.

Special Tax C (Contingent) shall be levied as long as necessary to meet the Contingent Special Tax Requirement for Services.

9. EXEMPTIONS

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iii) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (iv) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property in IA No. 3 to less than 12.67 acres. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in IA No. 3 to less

than 12.67 acres shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Tax A accordingly. Tax exempt status for this purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of this Section 9 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

10. APPEALS

Any landowner who pays the Annual Special Tax and claims the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may recommend changing the amount of the Annual Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the City Manager, or designee of the City, appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the City Manager or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The City Manager or designee thereof shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Annual Special Tax and any landowner appeals. The decision of the City Manager or designee shall be final and binding as to all persons.

DEPOSIT AND REIMBURSEMENT AGREEMENT

THIS DEPOSIT AND REIMBURSEMENT AGREEMENT (this “Deposit Agreement”), dated as of June 3, 2013, is by and between the City of Calimesa, California (the “City”) and Highpointe JPR 308, LLC, a California limited liability company (the “Owner”).

RECITALS

WHEREAS, the City has determined to initiate proceedings to create a community facilities district designated “City of Calimesa Community Facilities District No. 2013-1 (JP Ranch) (the “Community Facilities District”) under the Mello-Roos Community Facilities Act of 1982, as amended (the “Act”); and

WHEREAS, Owner is the owner of the real property within the proposed Community Facilities District; and

WHEREAS, in accordance with City’s policy regarding use of the Act, the Owner is required to compensate the City for all costs reasonably incurred in the formation of the Community Facilities District and issuance of bonds for the Community Facilities District; and

WHEREAS, Section 53314.9 of the Act provides that, at any time either before or after the formation of a community facilities district, the legislative body may accept advances of funds from any source, including, but not limited to, private persons or private entities and may provide, by resolution, for the use of those funds for any authorized purpose, including, but not limited to, paying any cost incurred by the local agency in creating a community facilities district (including the issuance of bonds thereby); and

WHEREAS, Section 53314.9 of the Act further provides that the legislative body may enter into an agreement, by resolution, with the person or entity advancing the funds, to repay all or a portion of the funds advanced, as determined by the legislative body, with or without interest under all of the following conditions: (a) the proposal to repay the funds is included in both the resolution of intention to establish a community facilities district adopted pursuant to Section 53521 of the Act and in the resolution of formation to establish the community facilities district pursuant to Section 53325.1 of the Act (including the issuance of bonds thereby), (b) any proposed special tax is approved by the qualified electors of the community facilities district pursuant to the Act, and (c) any agreement shall specify that if the qualified electors of the community facilities district do not approve the proposed special tax, the local agency shall return any funds which have not been committed for any authorized purpose by the time of the election to the person or entity advancing the funds; and

WHEREAS, the City and the Owner desire to enter into this Deposit Agreement in accordance with Section 53314.9 of the Act in order to provide for the advancement of funds by the Owner to be used to pay costs incurred in connection with the formation of the Community Facilities District and issuance of special tax bonds for the Community Facilities District (the “Bonds”), and to provide for the reimbursement to the Owner of such funds advanced, without interest, from the proceeds of the Bonds;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. The Deposits and Application Thereof.

(a) The Owner has previously deposited with the City the amount of \$50,000 in February 2013 (the “Initial Deposit”). The City, by its execution hereof, acknowledges receipt of, and accepts, the Initial Deposit.

(b) City hereby agrees and Owner hereby acknowledges that Union Bank, N.A. (“Union Bank”) shall hold the Initial Deposit and any subsequent deposits pursuant to (c) hereof as agent for the City. City shall, concurrently with the execution hereof, deposit the Initial Deposit in an account (“Deposit Account”) at Union Bank, 120 S. San Pedro Street, 4th Floor, Los Angeles, California 90012. Upon its receipt of the Initial Deposit, Union Bank shall be entitled to deduct therefrom its fee for holding and disbursing the Initial Deposit and any subsequent deposits pursuant to the terms of this Deposit Agreement.

(c) The Initial Deposit, together with any subsequent deposit required to be made by the Owner pursuant to the terms hereof (collectively, the “Deposits”), are to be used to pay for any costs incurred for any authorized purpose in connection with the formation of the Community Facilities District and the issuance of the Bonds including, without limitation, (i) the fees and expenses of any consultants to the City employed in connection with the formation of the Community Facilities District and the issuance of the Bonds, including an engineer, special tax consultant, financial advisor, bond counsel, disclosure counsel and issuer’s counsel, and any other consultant reasonably deemed necessary or advisable by the City, (ii) the costs of appraisals, market absorption and/or feasibility studies and other reports reasonably deemed necessary or advisable by the City in connection with the formation of the Community Facilities District and issuance of the Bonds, (iii) the costs of publication of notices, preparation and mailing of ballots and other costs related to any hearing, election or other action or proceeding undertaken in connection with the formation of the Community Facilities District and issuance of the Bonds, (iv) reasonable charges for City staff time incurred in connection with the formation of the Community Facilities District and the issuance of the Bonds by the Community Facilities District, including a reasonable allocation of City overhead expense related thereto, and (v) any and all other actual costs and expenses incurred by the City in connection with the formation of the Community Facilities District and the issuance of the Bonds (collectively, the “Initial Costs”). The City may draw upon the Deposits from time to time to pay the Initial Costs. Union Bank shall have no duty or responsibility to confirm that amounts withdrawn at the direction of the City have been or will be spent on Initial Costs.

(d) At such time the Owner requests the City to initiate proceedings to issue Bonds, the Owner shall make an additional deposit in the amount determined by the City. If, at any time, the unexpended and unencumbered balance of the Deposits is less than \$25,000, the City may request, in writing, that the Owner make an additional deposit in an amount estimated to be sufficient, together with any such unexpended and unencumbered balance, to pay for all Initial Costs. The Owner shall make such additional deposit with the City within two weeks of the receipt by the Owner of the City’s written request therefor. If the Owner fails to make any

such additional deposit within such two week period, the City may cease all work related to the issuance of the Bonds.

(e) The Deposits shall be kept separately at Union Bank and shall be invested in a money market fund as approved by the City and the City shall at all times maintain records as to the expenditure of the Deposits.

(f) The City shall draw upon the Deposits to pay the Initial Costs by presentation of a disbursement request (the "Request") to Union Bank in the form attached hereto as Exhibit A and by this reference incorporated herein. The City shall cause Union Bank to pay such Initial Costs pursuant to the Request.

(g) The City shall provide the Owner with a written monthly summary of expenditures made from the Deposits, and the unexpended balance thereof, within ten business days of receipt of the City of a written request therefor submitted by the Owner. The cost of providing any such summary shall be charged to the Deposits.

Section 2. Return of Deposits; Reimbursement.

(a) As provided in Section 53314.9 of the Act, the approval by the qualified electors of the Community Facilities District of the proposed special tax to be levied therein is a condition to the repayment to the Owner of the funds advanced by the Owner pursuant hereto. Therefore, if the qualified electors of the Community Facilities District do not approve the proposed special tax to be levied thereon, the City shall have no obligation to repay the Owner any portion of the Deposits expended or encumbered to pay Initial Costs. In accordance with Section 53314.9 of the Act, if the qualified electors of the Community Facilities District do not approve the proposed special tax to be levied therein, the City shall cause Union Bank to return to the Owner any portion of the Deposits which have not been expended or encumbered to pay Initial Costs by the time of the election on said proposed special tax.

(b) If proceedings for the issuance of the Bonds are terminated, the City shall, within ten business days after official action by the City or the Community Facilities District to terminate said proceedings, cause Union Bank to return the then unexpended and unencumbered portion of the Deposits to the Owner, without interest.

(c) If the Bonds are issued by the Community Facilities District, the City shall reimburse the Owner, without interest, for the portion of the Deposits that has been expended or encumbered, said reimbursement to be made within ten business days after the issuance of such Bonds, solely from the proceeds of such Bonds and only to the extent otherwise permitted under the Act. The City shall, within ten business days after the issuance of such Bonds, return the then unexpended and unencumbered portion of the Deposits to the Owner, without interest.

Section 3. Abandonment of Proceedings. The Owner acknowledges and agrees that the issuance of the Bonds shall be in the sole discretion of the City. No provision of this Deposit Agreement shall be construed as an agreement, promise or warranty of the City to issue the Bonds.

Section 4. Deposit Agreement Not Debt or Liability of City. As provided in Section 53314.9(b) of the Act, this Deposit Agreement does not constitute a debt or liability of the City, but shall constitute a debt and liability of the Community Facilities District upon its formation. The City shall not be obligated to advance any of its own funds to pay Initial Costs or any other costs incurred in connection with the formation of the CFD and issuance of the Bonds. No member of the City Council of the City and no officer, employee or agent of the City shall to any extent be personally liable hereunder.

Section 5. Notices. Any notices, requests, demands, documents, approvals or disapprovals given or sent under this Deposit Agreement from one Party to another (collectively, “Notices”) may be personally delivered, transmitted by facsimile (FAX) transmission, or deposit with the United States Postal Service for mailing, postage prepaid, to the address of the other Party as stated in this Section, and shall be deemed to have been given or sent at the time of personal delivery or FAX transmission or, if mailed, seventy-two hours following the date of deposit in the course of transmission with the United States Postal Service. Notices shall be sent as follows:

If to City:

City of Calimesa
Attn: City Manager
908 Park Avenue
Calimesa, CA 92320
FAX No. (909) 795-4399

If to Owner:

Highpointe Communities, Inc.
Attn: Timothy D. England, SVP
20 Enterprise, Suite 320
Aliso Viejo, CA 92656
FAX No. (949) 472-0198

If to Union Bank:

Union Bank of California, N.A.
Attn: Corporate Trust Dept.
120 S. San Pedro Street, 4th Floor
Los Angeles, California 90012
FAX No. (213) 972-5694

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic

communication, whether by telex, telegram or telecopier upon the sender's receipt of an appropriate answerback or other written acknowledgement, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 6. California Law. This Deposit Agreement shall be governed and construed in accordance with the laws of the State of California. The Parties shall be entitled to seek any remedy available at law and in equity. All legal actions must be instituted in the Superior Court of the County of Riverside, State of California, in an appropriate municipal court in Riverside County, or in the United States District Court for the District of California in which Riverside County is located.

Section 7. Successors and Assigns. This Deposit Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

Section 8. Counterparts. This Deposit Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 9. Other Agreements. The obligations of the Owner hereunder shall be that of a party hereto. Nothing herein shall be construed as affecting the City's or Owner's rights, or duties to perform their respective obligations, under other agreements, use regulations or subdivision requirements relating to the development. This Deposit Agreement shall not confer any additional rights, or waive any rights given, by either party hereto under any development or other agreement to which they are a party.

Section 10. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Deposit Agreement or of any of its terms. Reference to section numbers are to sections in this Deposit Agreement, unless expressly stated otherwise.

Section 11. Interpretation. As used in this Deposit Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Deposit Agreement shall be interpreted as though prepared jointly by both Parties.

Section 12. No Waiver. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Deposit Agreement to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Deposit Agreement.

Section 13. Modifications. Any alteration, change or modification of or to this Deposit Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

Section 14. Severability. If any term, provision, condition or covenant of this Deposit Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Deposit Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

Section 15. Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Deposit Agreement, and in signing this Deposit Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Deposit Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Deposit Agreement; and, they have freely signed this Deposit Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Deposit Agreement, and without duress or coercion, whether economic or otherwise.

Section 16 Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Deposit Agreement including, but not limited to, releases or additional agreements.

Section 17. Conflicts of Interest. No member, official or employee of City shall have any personal interest, direct or indirect, in this Deposit Agreement, nor shall any such member, official or employee participate in any decision relating to the Deposit Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

Section 18. Regarding the Agent. In acting hereunder, Union Bank is acting solely as agent for the City and not in its proprietary capacity. The duties and responsibilities of Union Bank shall be limited to those expressly set forth in this Deposit Agreement. In no event shall the Union Bank be liable for any special, indirect or consequential damages. Union Bank will not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion of power conferred upon it by this Deposit Agreement, including without limitation, disbursement of funds from the Deposit Account upon receipt of instructions reasonably believed by Union Bank to have been executed by the person set forth therein. Union Bank shall receive compensation for its services as agreed between Union Bank and the City. To the extent permitted by law, the City agrees to indemnify and hold Union Bank harmless from all loss, cost, damages, expenses, liabilities, judgments and attorneys' fees (including without limitation, allocated costs of in-house counsel) suffered or incurred by Union Bank arising out of or in connection with this Deposit Agreement, except that this indemnity obligation shall not apply in the event of the gross negligence or willful misconduct of the indemnified parties or any of them. This indemnity obligation shall survive termination of this Deposit Agreement. This Deposit Agreement will terminate upon the earlier of disbursement of all funds in the Deposit Account or upon the direction of the City.

IN WITNESS WHEREOF, the Parties have executed this Deposit Agreement as of the date set forth on the first page hereof.

“CITY”

CITY OF CALIMESA, a municipal corporation

By: _____

Title: _____

“OWNER”

HIGHPOINTE JPR 308, LLC,
a California limited liability company

By: Highpointe JPR, L.P., a California
limited partnership, Its Authorized
Member

By: Highpointe Investments, Inc.,
a California corporation, Its
General Partner

By: _____
Timothy D. England, SVP

ACKNOWLEDGED BY:

UNION BANK, N.A.

By: _____

Title: Authorized Officer

EXHIBIT A

**City of Calimesa
Community Facilities District No. 2013-1
(JP Ranch)**

**WRITTEN REQUEST NO. __ FOR
DISBURSEMENTS PURSUANT TO THE
DEPOSIT AND REIMBURSEMENT AGREEMENT**

The undersigned hereby states and certifies:

- (1) that he/she is the duly qualified City Manager of the City of Calimesa, a municipal corporation duly organized and existing under the laws of the State of California (the "City") and as such, is familiar with the facts herein certified and is authorized and qualified to execute and deliver this certificate;
- (2) that he is authorized pursuant to the Deposit and Reimbursement Agreement, dated as of June 3, 2013 (the "Agreement"), by and between the City of Calimesa and Highpointe JPR 308, LLC, relating to the formation of City of Calimesa Community Facilities District No. 2013-1 (JP Ranch) (the "CFD");
- (3) that pursuant to Section 1(e) of the Agreement, Union Bank is hereby directed to disburse this date from Account No. _____ (the "Account") to the payees, designated on Exhibit 1 attached hereto and by this reference incorporated herein, the respective sums set forth opposite such payees, in payment of certain expenses related to the CFD;
- (4) that each obligation shown on Exhibit 1 has been properly incurred and is a proper charge against the Account;
- (5) that no item to be paid pursuant to this Written Request has been previously paid or reimbursed from the Account; and
- (6) that capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement.

Dated: _____

CITY OF CALIMESA, a municipal
corporation

By: _____
Title: City Manager

GOALS AND POLICIES FOR COMMUNITY FACILITIES DISTRICTS

INTRODUCTION

Section 53312.7(a) of the California Government Code requires that pursuant to the Mello-Roos Community Facilities Act of 1982 (the "Act") the City of Calimesa (the "City") consider and adopt local goals and policies concerning the use of the Act prior to the initiation of proceedings to establish a new community facilities district ("CFD") under the Act. The following goals and policies are intended to meet the minimum requirements of the Act, and may be amended or supplemented by resolution of the City Council at any time.

GOALS

Except as otherwise provided, only those public improvements that benefit the particular development but also provide a community-wide benefit at large will be considered for financing. Such improvements include, but are not limited to, trunk water, sanitary and storm sewer and related facilities, bridges, major collector or "spine" streets, including related landscaping and lighting, parks, trails, and other recreational facilities, community centers, and fire stations. Unless specifically approved by the City Council, whether through its approval of a development agreement or otherwise, in-tract utilities, streets, landscaping and lighting serving individual properties will not be financed in new development, nor will the acquisition of rights-of-way, lands and easements for public improvements for new development be financed.

The City shall make the determination as to whether a proposed district shall proceed under the provisions of the California assessment laws or the Act. The City may confer with consultants and the applicant to learn of any unique CFD requirements such as facilities serving the regional area prior to making any final determination.

All City and consultant costs incurred in the evaluation of new CFD applications shall be paid by the applicant(s) by advance deposit. The City shall not incur any non-reimbursable expense for processing CFDs. Expenses not chargeable to the CFD shall be borne by the applicant.

ELIGIBLE PUBLIC FACILITIES AND SERVICES

Generally, the improvements eligible to be financed by a CFD must have a useful life of at least five (5) years. In some cases, up to five percent of the proceeds of an issue may be used for privately-owned facilities owned and operated by a privately-owned public utility. The development or redevelopment proposed within a CFD must be consistent with the City's general plan and must have received any required legislative approvals such as zoning or specific plan approvals prior to the issuance of public debt. A CFD shall not vest any rights to future land use on any properties, including those that are responsible for paying special taxes.

The list of eligible public facilities include, but are not limited to, the types of facilities specified in Government Code section 53313.5, as it currently exists, or may hereafter be amended.

The funding of public facilities to be owned and operated by public agencies other than the City shall be considered on a case-by-case basis. If the proposed financing is consistent with a public facilities financing plan approved by the City, or the proposed facilities are otherwise consistent with approved land use plans for the property, the City shall consider entering into a joint community facilities agreement or a joint exercise of powers agreement in order to finance these facilities.

The City will consider on a case-by-case basis CFDs established for the provisions of services eligible to be funded under the Act. Eligible services are as specified in the Act.

PRIORITIES FOR CFD FINANCING UNDER THE ACT

Priority for CFD financing shall be given to public facilities which: (a) are necessary for economic development, or (b) are otherwise incident to an economic development project. If appropriate, the City shall prepare a public facilities financing plan as a part of the specific plan or other land use document that identifies the public facilities required to serve a project, and the type of financing to be utilized for each facility.

CREDIT QUALITY REQUIREMENTS FOR CFD BOND ISSUES

It is the policy of the City to comply with all provisions of the Act including, but not limited to, Section 53345.8, as such Section may be amended from time to time. It is the goal of the City to conform, as nearly as practicable, to the California Debt and Investment Advisory Commission's Appraisal Standards for Land-Secured Financings, as such standards may be amended from time to time, provided, however, that this City Council may additionally amend such standards from time to time as it deems necessary and reasonable, in its own discretion, to provide needed public improvements within the City, while still accomplishing the goals set forth herein.

Unless otherwise specifically approved by the City Council as provided in Section 53345.8(b) or (c) of the Act, the district property value-to-lien ratio shall be at least 3:1 after calculating the value of the public facilities to be financed, and considering any prior or pending special taxes or assessment liens. The City may require a higher value-to-lien ratio in its discretion, in consideration of current market and related conditions.

Property value may be based on either an appraisal or on assessed values as indicated on the county assessor's tax roll. The City shall select the appraiser, and the appraisal shall be based on standards promulgated by the State of California and otherwise determined applicable by City staff and consultants. The appraisal must be dated within three months of the date the bonds are issued. The public lien amount shall include the bond issue currently being sold plus any public indebtedness secured by a lien on real property currently existing against the properties to be taxed.

Less than a three to one property value to public lien ratio, excessive tax delinquencies, or projects of poor economic viability may cause the City to disallow the sale of bonds or require credit enhancement prior to bond sale. The City may consider exceptions to the above policies for bond issues that do not represent an unusual credit risk, either due to credit enhancement or other reasons specified by the City, and which otherwise provide extraordinary public benefits.

If the City requires letters of credit or other security, the credit enhancement shall be issued by an institution, in a form and upon terms and conditions satisfactory to the City. Any security required to be provided by the applicant may be discharged by the City upon the opinion of a qualified appraiser, retained by the City, that a value-to-lien ratio of three to one has been attained per land use category, including any overlapping special assessment or special tax liens.

As an alternative to providing other security, the applicant may request that a portion of the bond proceeds be placed in escrow with a corporate agent in an amount sufficient to assure a value-to-lien ratio of at least three to one on the outstanding proceeds. The proceeds shall be released at such times and such amounts as may be necessary to assure a value-to-lien ratio of at least three to one per land use category, including any overlapping special assessment or special tax liens.

DISCLOSURE REQUIREMENTS FOR PROSPECTIVE PROPERTY PURCHASERS

a. Disclosure Requirements for Developers. Developers who are selling lots or parcels that are within a CFD shall provide disclosure notice to prospective purchasers that comply with all of the requirements set forth in Section 53341.5 of the Government Code. The disclosure notice must be provided to prospective purchasers of property at or prior to the time the contract or deposit receipt for the purchase of

property is executed. Developers shall keep an executed copy of each disclosure document as evidence that disclosure has been provided to all purchasers of property within a CFD.

b. Disclosure Requirements for the Resale of Lots. Pursuant to Section 53340.2 of the Act, the City Finance Department shall provide a notice of special taxes to sellers of property (other than developers), which will enable them to comply with their notice requirements under Section 1102.6 of the Civil Code. The City shall provide this notice within five working days of receiving a written request for the notice. A reasonable fee may be charged for providing the notice, not to exceed any maximum fee specified in the Act.

EQUITY OF SPECIAL TAX FORMULAS AND MAXIMUM SPECIAL TAXES

Special tax formulas for CFDs shall provide for minimum special tax levels which satisfy the following: (a) 110 percent debt service coverage for all CFD bonded indebtedness, (b) the reasonable and necessary annual administrative expenses of the CFD, and (c) amounts equal to the differences between expected earnings on any escrow fund and the interest payments due on bonds of the CFD. Additionally, the special tax formula may provide for the following: (a) any amounts required to establish or replenish any reserve fund established in association with the indebtedness of the CFD, (b) the accumulation of funds reasonably required for future debt service, (c) amounts equal to projected delinquencies of special tax payments, (d) the costs of remarketing, credit enhancement and liquidity facility fees, (e) the cost of acquisition, construction, furnishing or equipping of facilities, (f) lease payments for existing or future facilities, (g) costs associated with the release of funds from an escrow account, and (h) any other costs or payments permitted by law. In structuring the special tax, projected annual interest earnings on bond reserve funds may not be included as revenue for purposes of the calculation.

The special tax formula shall be reasonable and equitable in allocating public facilities' costs to parcels within the CFD. Exemptions from the special tax may be given to parcels which are publicly owned, are held by a property owners' association, are used for a public purpose such as open space or wetlands, are affected by public utility easements making impractical their utilization for other than the purposes set forth in the easements, or have insufficient value to support bonded indebtedness.

The maximum annual special tax, together with ad valorem property taxes, special assessments or special taxes for an overlapping financing district, including such potential taxes and assessments relating to authorized but unissued debt of public entities other than the City (collectively, the "Overlapping Debt Burden"), in relation to the expected assessed value of each parcel upon completion of the private improvements to the parcel is of great importance to the City in evaluating the proposed financing.

For residential parcels, the Overlapping Debt Burden at the time of bond issuance shall not exceed two percent (2.0%) of the projected assessed value of each improved parcel within the district. As it pertains to commercial, industrial, or other parcels within the district, the City reserves the right to exceed the two percent (2%) limit if, in the City's sole discretion, it is fiscally prudent. The City, in its discretion, may allow an annual escalation factor on parcels within a district.

Special taxes will only be levied on an entire County Assessor's parcel, and any allocation of special tax liability of a County Assessor's parcel to leasehold or possessory interest in the fee ownership of such County Assessor's parcel shall be the responsibility of the fee owner of such parcel (except where the City is the fee owner of the parcel and has leased the parcel pursuant to a lease with a term of at least 5 years, in which case the lessee shall have the responsibility for the special tax liability) and the City shall have no responsibility therefore and has no interest therein. Failure to pay or cause to be paid any special taxes in full when due, shall subject the entire parcel to foreclosure in accordance with the Act.

The City shall retain a special tax consultant to prepare a report which: (a) recommends a special tax for the proposed CFD, and (b) evaluates the special tax proposed to determine its ability to adequately fund identified public facilities, City administrative costs, services (if applicable) and other related expenditures. Such analysis shall also address the resulting aggregate tax burden of all proposed special taxes plus existing special taxes, ad valorem taxes and assessments on the properties within the CFD.

APPRAISALS

The definitions, standards and assumptions to be used for appraisals shall be determined by City on a case-by-case basis, with input from City consultants and CFD applicants, and by reference to relevant materials and information promulgated by the State of California, including the Appraisal Standards for Land-Secured Financings prepared by the California Debt and Investment Advisory Commission. In any event, the value-to-lien ratio shall be determined based upon an appraisal by an independent Member Appraisal Institute ("M.A.I.") appraiser of the proposed CFD. The appraisal shall be coordinated by and under the direction of the City. All costs associated with the preparation of the appraisal report shall be paid by the entity requesting the establishment of the CFD through the advance deposit mechanism.

ABSORPTION STUDY

An absorption study of any proposed development project may be required for land secured financing. The absorption study shall be used (A) as basis for verification that sufficient revenues can be produced; and B) to determine if the public financing of the public facilities is appropriate given the timing of the development. Additionally, the projected absorption rates will be provided to the appraiser for use in the appraisal required in Section V, above.

TERMS AND CONDITIONS OF BONDS

The City shall establish all terms and conditions of the bonds. The City will control, manage and invest all CFD issued bond proceeds. Each bond issue shall be structured to adequately protect bond owners and to not negatively impact the bonding capacity or rating of the City. These security measures could include a combination of credit enhancement, foreclosure covenant, special reserve fund or deposits and/or a contractual commitment by the proponents and successors to pay the special taxes or assessments during the initial development stages of the development project. The City has the sole discretion to determine the types of credit enhancement, foreclosure covenant and reserve fund that may be required.

All statements and material related to the sale of bonds shall emphasize and state that neither the faith, credit nor the taxing power of the City is pledged to security or repayment of the Bonds. The sole source of pledged revenues to repay CFD bonds are special taxes, bond proceeds and reserve funds held under the bond indenture, and the proceeds of foreclosure proceedings and additional security instruments provided at the time of bond issuance.

The City is under no obligation to issue tax-exempt debt. The ability to issue tax-exempt debt depends upon the particular facts and circumstances of each CFD. If the City, in its sole discretion determines to issue tax-exempt debt, the developer must agree to cooperate in connection with any covenants or other requirements of state and/or federal tax law that may be necessary in order for the City to issue tax-exempt debt.

CFD COST DEPOSITS AND REIMBURSEMENTS

All City and consultant costs incurred in the evaluation of CFD applications and the establishment of CFDs will be paid by the entity requesting the establishment of the CFD by advance deposit. The City shall determine the amount of the initial advance deposit. The City shall not incur any non-reimbursable expenses for processing and administering CFDs. Expenses not chargeable to the CFD shall be directly borne by the applicant.

The initial deposit in the amount determined by the City to fund initial staff and consultant costs associated with CFD review and implementation shall accompany each petition for formation of a CFD. If additional funds are needed to off-set costs and expenses incurred by the City, the City shall make written demand upon the applicant for such funds. If the applicant fails to make any deposit of additional funds for the proceedings, the City may suspend all proceedings until receipt of such additional deposit.

The City shall not accrue or pay any interest on any portion of the deposit refunded to the applicant or the costs and expenses reimbursed to the applicant. Neither the City nor the CFD shall be required to reimburse the applicant or property owner from any funds other than the proceeds of bonds issued by the CFD.

CONTINUING DISCLOSURE

Landowners owning land within any CFD, and which are responsible for twenty percent (20%) or more in the aggregate of the special taxes or assessments, must agree to provide (A) initial financial disclosure at the time of issuance of any bonds relating to such CFD; and (B) annual financial disclosure as required under Rule 15c2-12 of the Securities Exchange Commission until the time at which the aggregate special tax of such landowner is less than 20%. The City may require a higher or lower threshold than 20% of the aggregate special taxes, depending on the appropriateness due to the facts and circumstances of the financing.

USE OF CONSULTANTS

The City shall select all consultants necessary for the formation of the CFD and the issuance of bonds, including the underwriter(s), bond counsel, financial advisor, appraiser, absorption consultant, and the special tax consultant. Prior consent of the applicant shall not be required in the determination by the City of the consulting and financing team.

PROCESS

The Planning Department shall work with applicants in the preliminary stages of deciding whether to form a CFD and throughout the process of formation. The Engineering Department shall be responsible for cost estimates for infrastructure improvements and maintenance costs. The Public Works Department shall be responsible for the review and acceptance of infrastructure improvements and administration of maintenance programs.

EXCEPTIONS TO THESE POLICIES

The City may find in limited and exceptional instances that a waiver to any of the above stated policies is reasonable given identified special City benefits to be derived from such waiver. Such waivers only will be granted by action of the City Council.

MODIFICATION OF THESE POLICIES

The City Council reserves the right to modify or amend the policies.

FEE DEPOSIT AND REIMBURSEMENT AGREEMENT

by and between

CITY OF CALIMESA

and

HIGHPOINTE JPR 308, LLC

relating to

CITY OF CALIMESA
COMMUNITY FACILITIES DISTRICT NO. 2013-1
(JP RANCH)

FEE DEPOSIT AND REIMBURSEMENT AGREEMENT

THIS FEE DEPOSIT AND REIMBURSEMENT AGREEMENT (the "Agreement") is entered into effective as of the 3rd day of June, 2013, by and between the **CITY OF CALIMESA**, a city duly organized and existing under the laws of the State of California ("City"), and **HIGHPOINTE JPR 308, LLC**, a California limited liability company ("Property Owner"), and relates to community facilities district to be formed by the City upon petition of the Property Owner and to be known as "City of Calimesa Community Facilities District No. 2013-1 (JP Ranch)" (the "CFD").

RECITALS:

A. The property depicted in Exhibit "A" hereto (the "Property") is proposed to constitute the land within the boundaries of the CFD.

B. Property Owner is developing the Property for residential purposes and has obtained or intends to obtain the necessary development approvals to construct approximately _____ residential units on the Property, as such development may be modified from time to time (the "Project").

C. The Project will require the payment, pursuant to the land use entitlements, conditions of approval, existing City ordinances and resolutions and development agreement for and applicable to the Project (the "Project Conditions"), of certain City Fees (defined below).

D. In conjunction with the recording of the final subdivision map(s) for the Project, applicable to issuance of grading permits and/or the issuance of building permits for the construction of homes within the Project, Property Owner, or its successors or assigns, may elect to provide a security deposit to cover City Fees to the City (the "Deposit") before any Bond Proceeds are available to pay the City Fees. In such case, Property Owner shall be entitled to (i) reimbursement of such Deposits and (ii) credit for payments made to the City from Bond Proceeds of the City Fees which would otherwise be due to the City in conjunction with the Project, all as further described herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1. Recitals. Each of the above recitals is incorporated herein and is true and correct.
2. Definitions. Unless the context clearly otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement, have the meanings herein specified.

(a) "Act" means the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 (commencing with Section 53311) of Part 1 of Division 2 of Title 5 of the California Government Code.

(b) “Bond Proceeds” or “Proceeds of the Bonds” shall mean those net funds generated by the sale of the Bonds and investment earnings thereon.

(c) “Bonds” shall mean those bonds, or other securities, issued by, or on behalf of, the CFD in one or more series, as authorized by the qualified electors within the CFD.

(d) “City Fees” means the fees and charges and all components thereof imposed by the City upon the Project pursuant to the Project Conditions.

(e) “Deposits” means an amount deposited with the City by Property Owner as security for City Fees and which are eligible for refund by the City upon the sale of Bonds.

(f) “Party” or “Parties” shall mean any one or all of the parties to this Agreement.

(g) “State” means the State of California.

3. Proposed Formation of the CFD. City will undertake to analyze the appropriateness of forming the CFD. City will retain, at the expense of the Property Owner, the necessary consultants to analyze the proposed formation of the CFD.

4. Sale of Bonds and Use of Proceeds. In the event that the CFD is formed, the City Council acting as the legislative body of the CFD may, in its sole discretion, finance, among other things, the City Fees by issuing the Bonds.

As required by the Project Conditions, it may be necessary for Property Owner, or its successors or assigns, to make Deposits before Bonds are issued. Upon the issuance and sale of the Bonds, Property Owner may execute and submit a payment request, in substantially the form attached hereto as Exhibit “B”, to the CFD requesting disbursement to the City of an amount equal to all Deposits from Bond Proceeds. Within ten (10) business days of the City’s receipt of funds pursuant to such disbursement request, the City shall return the Deposits to Property Owner in an amount equal to the amount of the Bond Proceeds received from the CFD. The City may expend such Deposits as an inter-fund borrowing to pay for the costs eligible to be financed by the City Fees to be repaid solely from any City Fees received by the City. In the event Bonds are not issued within twenty-four (24) months of the date of any Deposit, such Deposit may be applied to pay the City Fees, and shall no longer be reflected as a deposit on the accounts of the City. The Property Owner understands that the issuance of Bonds shall be in the sole discretion of the City. No provision of this Agreement shall be construed as a promise, warranty or agreement by the City to issue any Bonds. Neither the City nor the CFD shall bear any liability to the Property Owner for its decision not to issue Bonds.

The Parties understand and agree that in the unlikely event that the CFD is not formed or the CFD does not issue Bonds the City has no obligation or liability to reimburse the Property Owner for any Deposits previously made by the Property Owner to the City in connection with the Project.

This Agreement is intended merely to provide the terms and conditions under which the Property Owner makes payments to the City for all City Fees required to be paid by the Property Owner for the Project as required by the City.

5. Indemnification. Property Owner shall assume the defense of, indemnify and save harmless, City and the CFD, their respective officers and employees, and each and every one of them, from and against all actions, damages, claims, losses or expenses of every type and description to which they may be subjected or put, by reason of, or resulting from, any act or omission of Property Owner with respect to this Agreement, the formation of the CFD, the levy and collection of any special taxes within the CFD or the issuance of Bonds by or on behalf of the CFD and the expenditure of Bond Proceeds; provided, however, that Property Owner shall not be required to indemnify any person or entity as to damages resulting from gross negligence or willful misconduct of such person or entity or their officers, agents or employees.

6. Amendment and Assignment. This Agreement may be amended at any time but only in writing signed by each party hereto. This Agreement may be assigned, in whole or in part, by the Developer to the purchaser of any parcel of land within the Property only with the prior written consent of the City, which consent shall not be unreasonably withheld. In connection with any such consent of the City, the City may condition its consent upon the acceptability of the relevant experience and financial condition of the proposed assignee, the assignee's express assumption of all obligations of Property Owner hereunder, and/or upon any other factor which the City deems relevant in the circumstances. Any such assignment shall be in writing, shall clearly identify the scope of the rights and/or obligations assigned, and shall not be effective until approved in writing by the City.

7. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters provided for herein and supersedes all prior agreements and negotiations between the parties with respect to the subject matter of this Agreement.

8. Notices. Any notice, payment or instrument required or permitted by this Agreement to be given or delivered to either party shall be deemed to have been received when personally delivered or seventy-two hours following deposit of the same in any United States Post Office in California, registered or certified, postage prepaid, addressed as follows:

City:	City of Calimesa 908 Park Avenue Calimesa, California 92320 Attn: City Manager
Property Owner:	Highpointe Communities, Inc. 20 Enterprise, Suite 320 Aliso Viejo, CA 92656 Attn: Timothy D. England, SVP

Each party may change its address for delivery of notice by delivering written notice of such change of address to the other party hereto.

9. Attorneys' Fees. In the event of the bringing of any action or suit by any Party against any other Party arising out of this Agreement, the Party in whose favor final judgment shall be entered shall be entitled to recover from the losing Party all costs and expenses of suit, including reasonable attorneys' fees.

10. Severability. If any part of this Agreement is held to be illegal or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall be given effect to the fullest extent permitted by law.

11. Governing Law. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of California.

12. Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party hereto, or the failure by a party to exercise its rights upon the default of another party, shall not constitute a waiver of such party's right to insist and demand strict compliance by such other party with the terms of this Agreement thereafter.

13. No Third Party Beneficiaries. No person or entity other than the CFD, when and if formed, shall be deemed to be a third party beneficiary hereof, and nothing in this Agreement (either express or implied) is intended to confer upon any person or entity, other than the City, the CFD, and Property Owner (and their respective successors and assigns, exclusive of individual homebuyers), any rights, remedies, obligations or liabilities under or by reason of this Agreement.

14. Singular and Plural; Gender. As used herein, the singular of any word includes the plural, and terms in the masculine gender shall include the feminine.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute but one instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year written above.

CITY OF CALIMESA, a municipal corporation

By: _____
Mayor

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

HIGHPOINTE JPR 308, LLC,
a California limited liability company

By: Highpointe JPR, L.P., a California limited partnership, Its Authorized Member

By: Highpointe Investments, Inc., a California corporation, Its General Partner

By: _____
Timothy D. England, SVP

EXHIBIT A
DESCRIPTION OF PROPERTY

LEGAL DESCRIPTION

BOUNDARY MAP

**EXHIBIT B
DISBURSEMENT REQUEST FORM**

1. City of Calimesa Community Facilities District No. 2013-1 (JP Ranch) (“CFD”) is hereby requested to pay from the CFD bond proceeds to the City of Calimesa (the “City”), as Payee, the sum set forth in 3 below.

2. The undersigned certifies that the amount requested for City Fees is due and payable and has not formed the basis of prior request or payment.

3. Amount requested: \$ _____

For Lot Nos: _____

4. The amount set forth in 3 above is authorized and payable pursuant to the terms of the Fee Deposit and Reimbursement Agreement by and between the CITY OF CALIMESA and HIGHPOINTE JPR 308, LLC, dated as of June 3, 2013 (the “Agreement”). Capitalized terms not defined herein shall have the meaning set forth in the Agreement.

HIGHPOINTE JPR 308, LLC,
a California limited liability company

By: Highpointe JPR, L.P., a California
limited partnership,
Its Authorized Member

By: Highpointe Investments, Inc.,
a California corporation,
Its General Partner

By: _____
Timothy D. England, SVP

Date: _____

cc: City of Calimesa Finance Dept.

DEPOSITORY AGREEMENT

THIS DEPOSITORY AGREEMENT dated as of June 3, 2013 (the “Agreement”) among the City of Calimesa, California (the “City”), and Highpointe JPR 308, LLC, a California limited liability company (“Depositor”) and Union Bank, N.A., a national banking association (hereinafter referred to as “Depository Agent”).

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby covenant and agree as follows:

Section 1. Appointment of Depository Agent. Depositor and City hereby appoint Depository Agent to act as Depository Agent in accordance with the terms and conditions set forth herein, and Depository Agent hereby accepts such appointment. This Depository Agreement is being executed to facilitate the deposits pursuant to that certain Deposit and Reimbursement Agreement dated the date hereof between the City and the Depositor (the “Reimbursement Agreement”).

Section 2. Establishment of Account. Depository Agent shall open and maintain an account on the terms and conditions set forth herein (the “Account”). The Funds (as defined below) held in the Account shall not bear interest independently of the interest, dividends and other distributions and payments that may arise from Permitted Investments (as defined below) made pursuant to Section 5 hereof.

Section 3. Wire Instructions. Wire transfer instructions for sending the Funds, as hereinafter defined, to Depository Agent are as follows:

Union Bank, N.A.
ABA: 122000496
Account: 37130196431
Account Name: TRUSDG
For Further Credit: [to be provided]
Attention: Corporate Trust

Section 4. Deposits into the Account. Deposits shall be made to the Account in accordance with the Reimbursement Agreement in immediately available funds (the “Funds”), which Funds shall be held by Depository Agent under the terms and conditions set forth herein. The Funds, plus all interest, dividends and other distributions and payments thereon received by Depository Agent from time to time, less any property distributed and/or disbursed in accordance with this Agreement, from time to time are collectively referred to hereinafter as the “Account Property”. Depository Agent shall have no duty to solicit delivery of the Account Property. For purposes of this Agreement “Business Day” shall mean any day Union Bank, N.A. is open for business at the address set forth herein, excluding Saturdays and Sundays.

Section 5. Investment of the Account Property.

(a) As soon as practicable after receipt thereof, Depository Agent shall cause the Account Property to be invested in the BlackRock T Fund Dollar money market mutual fund. Depositor hereby acknowledges that it has received and read the Prospectus for the selected investment of the Property and understands that investments in the Money Market or Mutual Fund are not insured by the Federal Deposit Insurance Corporation and are not obligations of or guaranteed by Depository Agent. Depositor, with the consent of the City, may instruct Depository Agent in writing to invest the Account Property in any other Money market or mutual funds registered under the Investment Act of 1940 including any fund for which Depository Agent or an affiliate of Depository Agent serves as an investment advisor, administrator, shareholder servicing agent, custodian or sub-custodian, notwithstanding that (A) Depository Agent or an affiliate of Depository Agent charges and collects fees and expenses from such funds for services rendered (provided that such charges, fees and expenses are on terms consistent with terms negotiated at arm's length) and (B) Depository Agent charges and collects fees and expenses for services rendered, pursuant to this Agreement.

(b) Depository Agent shall have no obligation to invest the Account Property if deposited with Depository Agent after 10:30 a.m. Pacific Time/1:30 p.m. Eastern Time on the day of deposit. Instructions received after 10:30 a.m. Pacific Time/1:30 p.m. Eastern Time will be treated as if received on the following Business Day. Depository Agent shall have no responsibility for any investment losses resulting from the investment, reinvestment or liquidation of the Account Property. Any interest or other income received on such investment and reinvestment of the Account Property shall become part of the Account Property and losses incurred on such investment and reinvestment of the Account Property shall be reflected in the value of the Account Property from time to time. Notwithstanding the foregoing, Depository Agent shall have the power to sell or liquidate the foregoing investments whenever Depository Agent shall be required to release all or any portion of the Account Property pursuant to this Agreement. In no event shall Depository Agent be deemed an investment manager or adviser in respect of any selection of investments hereunder.

Section 6. Distribution of the Account Property.

(a) Depository Agent shall hold the Account Property in its possession and disburse the Account Property or any specified portion thereof within three Business Days after receipt of a disbursement request in the form of Exhibit A to the Reimbursement Agreement signed by an authorized representative of the City. Depository Agent shall incur no liability to Depositor or otherwise for having acted in accordance with instructions on which it is authorized to rely pursuant to the provisions hereof or the Reimbursement Agreement.

(b) All payments of the Account Property will be effected by wire transfer in immediately available funds. The Depository Agent may rely on the payment instructions provided in each disbursement request or invoices provided in connection therewith as though given by the City with no duty to investigate or inquire as to the authenticity of the invoice or the payment instructions contained therein

Section 7. Compensation of Depository Agent. Depository Agent shall be entitled to receive payment from Depositor for fees, costs and expenses for all services rendered by it hereunder in accordance with Schedule II to this Agreement. Depositor shall reimburse Depository Agent on demand for all losses, liabilities, damages, disbursements, advances or expenses paid or incurred by it in the administration of its duties hereunder, including, but not limited to, all counsel, advisor and agent fees and disbursements. At all times, Depository Agent will have a right of set off and first lien upon the Account for payment of customary fees, costs and expenses and all such losses, liabilities, damages or expenses from time to time. Such fees, costs and expenses shall be paid from the Account Property to the extent not otherwise paid hereunder and Depository Agent may sell, convey or otherwise dispose of any Account Property for such purpose. The obligations contained in this Section shall survive the termination of this Agreement and the resignation or removal of Depository Agent.

Section 8. Resignation or Removal of Depository Agent. Depository Agent may resign and be discharged from its duties hereunder at any time by giving written notice thirty calendar days prior to such resignation to Depositor as provided in this Section. Depositor may remove Depository Agent at any time by giving written notice signed by an Authorized Representative at least thirty calendar days prior to such removal to Depository Agent. Following such resignation or removal, a successor Depository Agent shall be appointed by Depositor who shall provide written notice of such to the resigning or removed Depository Agent. Such successor Depository Agent shall become Depository Agent hereunder, and all Account Property shall be transferred to it upon the resignation or removal date specified in such notice. If Depositor is unable to appoint a successor Depository Agent within thirty calendar days after such notice, Depository Agent may, in its sole discretion, deliver the Account Property to Depositor at the address provided herein or may petition any court of competent jurisdiction for the appointment of a successor Depository Agent or for other appropriate relief. The costs and expenses (including but not limited to its attorney fees and expenses) incurred by Depository Agent in connection with such proceeding shall be paid by Depositor. On the resignation/removal date and after receipt of the identity of the successor Depository Agent, Depository Agent shall either deliver and/or disburse the Account Property then held hereunder to the successor Depository Agent, less Depository Agent's fees, costs and expenses or other obligations owed to Depository Agent. Upon its resignation or removal and delivery and/or disbursement of the Account Property in its entirety as set forth in this Section, Depository Agent shall be discharged of and from any and all future obligations arising in connection with the Account Property or this Agreement.

Section 9. Indemnification of Depository Agent. Depositor agrees to indemnify and hold Depository Agent harmless against any and all liabilities, losses, claims, damages or expenses, including reasonable attorney's fees that Depository Agent may incur by reason of or based upon its actions under this Agreement other than as a result of the gross negligence or willful misconduct of Depository Agent. This indemnification obligation shall survive the termination of this Agreement and the resignation or removal of Depository Agent.

Section 10. Rights, Duties and Immunities of Depository Agent. Acceptance by Depository Agent of its duties under this Agreement is subject to the following terms and

conditions, which all parties to this Agreement hereby agree shall govern and control the rights, duties and immunities of Depository Agent.

(a) The duties and obligations of Depository Agent shall be determined solely by the express provisions of this Agreement and the Reimbursement Agreement and no duties, responsibilities, or obligations shall be inferred or implied. Depository Agent shall not be liable except for the performance of such duties and obligations as are expressly and specifically set out in this Agreement. Depository Agent shall not be liable for the accuracy of any calculations or the sufficiency of any funds for any purpose.

(b) Depository Agent shall not be required to expend or risk any of its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder.

(c) Depository Agent is not a party to, and is not bound by, or required to comply with any agreement or other document out of which this Agreement may arise. Depository Agent shall not be required to inquire as to the performance or observation of any obligation, term or condition under any other agreements or arrangements between Depositor and any other party. Depository Agent shall be under no liability to any party hereto by reason of any failure on the part of Depositor, or any maker, guarantor, endorser or other signatory of any document or any other third party to perform, such party's obligations under any such document. Except for amendments to this Agreement referred to herein, and except for notifications or instructions to Depository Agent under this Agreement, Depository Agent shall not be obliged to recognize or be chargeable with knowledge of any of the terms or conditions of any agreement between Depositor and any other party, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof.

(d) Depository Agent shall not have any responsibility to determine the authenticity or validity of any notice, direction, instruction, instrument, document or other items delivered to it by any party, or for the identity, authority or rights of persons executing or delivering any such notice, direction, instruction, instrument, document, or other items delivered to it by such party or parties. Depository Agent is authorized to comply with and rely upon any notice, direction, instruction or other communication believed by it to have been sent or given by Depositor and shall be fully protected in acting in accordance with such written direction or instructions given to it under, or pursuant to, this Agreement.

(e) Depository Agent shall not be bound by any waiver, modification, termination or rescission of this Agreement or any of the terms hereof, unless evidenced in writing and delivered to Depository Agent signed by an Authorized Representative and, if the duties or rights of Depository Agent are affected, unless it shall give its prior written consent thereto. No person, firm or corporation will be recognized by Depository Agent as a successor or assignee of Depositor until there shall be presented to Depository Agent evidence satisfactory to it of such succession or assignment. This Agreement shall not be deemed to create a fiduciary relationship among the parties hereto under state or federal law.

(f) If at any time Depository Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process which in any way affects the Account Property (including but not limited to orders of attachment or any other forms of levies or injunctions or stays relating to the transfer of the Account Property), Depository Agent is authorized to comply therewith in any manner as it or its legal counsel of its own choosing deems appropriate; and if Depository Agent complies with any such judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process, Depository Agent shall not be liable to any of the parties hereto or to any other person or entity even though such order, judgment, decree, writ or process may be subsequently modified or vacated or otherwise determined to have been without legal force or effect.

(g) Depository Agent shall not be liable for any action taken or omitted or for any loss or damage resulting from its actions or its performance of its duties hereunder in the absence of gross negligence or willful misconduct on its part. In no event shall Depository Agent be liable (i) for acting in accordance with or relying upon any instruction, notice, demand, certificate or document from Depositor, or any entity acting on behalf of either, (ii) for any consequential, punitive or special damages, (iii) for the acts or omissions of its nominees, designees, subagents or subcustodians, or (iv) for an amount in excess of the value of the Account Property, valued as of the date of loss.

(h) In the event of any ambiguity or uncertainty hereunder or in any notice or other communication received by Depository Agent hereunder, Depository Agent is hereby authorized to refrain from taking any action other than to retain possession of the Account Property, unless Depository Agent receives written instructions, signed by an authorized representative of each of City and Depositor which eliminates such ambiguity or uncertainty.

(i) Depository Agent may consult with legal counsel of its own choosing, at the expense of Depositor, as to any matter relating to this Agreement and Depository Agent shall incur no liability and shall be fully protected in respect of any action taken, omitted or suffered by it in good faith in accordance with the advice or opinion of such counsel.

(j) In the event of any dispute or conflicting claim with respect to the payment, ownership or right of possession of the Account or the Account Property, Depository Agent shall be entitled, in its sole discretion, to refuse to comply with any and all claims, demands or instructions. Depository Agent is authorized and directed to retain in its possession, without liability to anyone, except for its own gross negligence or willful misconduct, all or any part of the Account Property until such dispute shall have been settled either by mutual agreement of the parties concerned or by final order, decree or judgment of a court or other tribunal of competent jurisdiction in the United States of America (as notified to Depository Agent in writing by the parties to the dispute or their authorized representatives and setting forth the resolution of the dispute). Depository Agent shall be under no duty whatsoever to institute, defend or partake in such proceedings. The rights of Depository Agent under this paragraph are in addition to all other rights which it may have by law or otherwise including, without limitation, the right to file an action in interpleader.

(k) Depository Agent shall not incur liability for not performing any act or not fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of Depository Agent (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, terrorism or the unavailability of the Federal Reserve Bank or other wire or communication facility).

(l) When Depository Agent acts on any communication (including, but not limited to, communication with respect to the delivery of securities or the wire transfer of funds) sent by electronic transmission, Depository Agent, absent gross negligence or willful misconduct, shall not be responsible or liable in the event such communication is not an authorized or authentic communication of the party involved or is not in the form the party involved sent or intended to send (whether due to fraud, distortion or otherwise). Depository Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from Depository Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. Depositor agrees to assume all risks arising out of the use of such electronic transmission to submit instructions and directions to Depository Agent, including without limitation the risk of Depository Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(m) Depository Agent shall furnish Depositor and City with periodic cash transaction statements which include detail for all investment transactions effected by the Depository Agent or brokers selected by any party or any investment advisor. Upon Depositor's or City's election, such statements will be delivered via Depository Agent's online service and upon electing such service, paper statements will be provided only upon request. Statements will be deemed to be correct and final upon receipt thereof by Depositor and City unless Depository Agent is notified in writing to the contrary within thirty Business Days of the date of such statement. Depositor and City each waives the right to receive brokerage confirmations of security transactions effective by Depository Agent as they occur, to the extent permitted by law. Depositor and City further understand that trade confirmations for securities transactions effected by Depository Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(n) Depository Agent will not be under any duty to give the Account Property held by it hereunder any greater degree of care than it gives its own similar property and will not be required to invest any funds held hereunder except as directed in this Agreement. Uninvested funds held hereunder will not earn or accrue interest.

Section 11. Notices. All notices, consents, requests, instructions, approvals and other communications provided for in this Agreement shall be in writing, signed by an Authorized Representative and sent by: (i) personal delivery, overnight delivery by a recognized courier or delivery service, (ii) mailed by registered or certified mail, return receipt requested, postage prepaid, or (iii) electronic transmission, which includes fax machine, email with an imaged or scanned attachment (such as a .pdf) or other similar electronic transmission, (receipt confirmed); and shall become effective when delivered to the addresses noted below or such other address as may be substituted therefor by written notification by the proper party's Authorized

Representative. Notices to Depository Agent shall be deemed to be effective when actually received by Depository Agent's Corporate Trust Department.

If to Depositor, to:

Highpointe Communities, Inc.
Attn: Timothy D. England, SVP
20 Enterprise, Suite 320
Aliso Viejo, CA 92656
FAX No. (949) 472-0198
Email:

If to City:

City of Calimesa
Attn: City Manager
908 Park Avenue
Calimesa, CA 92320
FAX No. (909) 795-4399
email:

If to Depository Agent, to:

120 S. San Pedro Street, 4th Floor
Los Angeles, California 90012
Attention: Corporate Trust Services
Email:
Fax: 213-972-5694
Email:
Fax:

Section 12. Reserved.

Section 13. Termination. This Agreement shall terminate on _____ or the date on which all the Account Property has been disbursed or returned pursuant to Section 6 or Section 8 of this Agreement.

Section 14. Continuing Obligations. The obligations under Sections 6, 7, 8, 9 and 10 hereof shall survive the resignation or removal of Depository Agent, the termination of this Agreement and the payment of all amounts hereunder.

Section 15. Inconsistent Provisions. Depositor agrees that to the extent that the provisions of any other agreement relating to the Account Property are inconsistent with the terms of this Agreement, the terms of this Agreement shall control.

Section 16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original, and all of which together shall constitute but one and the same instrument. Executed copies of this Agreement delivered pursuant to Section 11 above shall be as effective as an original to bind the parties.

Section 18. Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall in no way affect the validity, legality or enforceability of any other provision; and if any provision is held to be unenforceable as a matter of law, the other provisions shall not be affected thereby and shall remain in full force and effect.

Section 19. Authorized Representative. Depositor hereby identifies to Depository Agent the officers, employees or agents designated on Schedule I attached hereto as an Authorized Representative with respect to any notice, certificate, instrument, demand, request, direction, instruction, waiver, receipt, consent or other document or communication required or permitted to be furnished to Depository Agent. Such Schedule I may be amended and updated by written notice to Depository Agent with a copy to the other party to this Agreement provided that failure to furnish such copy shall not affect the validity of such notice to Depository Agent. Depository Agent shall be entitled to rely on such original or amended Schedule I with respect to any party until a new Schedule I is furnished by such party to Depository Agent.

Section 20. Jurisdiction. Each of the parties hereto hereby irrevocably agrees that any action, suit or proceedings against any of them by any of the other aforementioned parties with respect to this Agreement shall be brought before the jurisdiction of any federal or state court of competent jurisdiction located in the City and County of Los Angeles, California. Each party hereto further irrevocably consents to the service of any complaint, summons, notice or other process relating to any such action or proceeding by delivery thereof to it by hand or by registered or certified mail, return receipt requested, in the manner provided for herein. Each party hereto hereby expressly and irrevocably waives any claim or defense in any such action or proceeding based on improper venue or *forum non conveniens* or any similar basis. To the extent permitted by law, in connection with any claim, cause of action, proceeding or other dispute concerning this Agreement (each a "Claim"), the parties to this Agreement expressly, intentionally, and deliberately waive any right each may otherwise have to trial by jury. In the event that the waiver of jury trial set forth in the previous sentence is not enforceable under the law applicable to this Agreement, the parties to this Agreement agree that any Claim, including any question of law or fact relating thereto, shall, at the written request of any party, be determined by judicial reference pursuant to California law. The parties shall select a single neutral referee, who shall be a retired state or federal judge. In the event that the parties cannot agree upon a referee, the court shall appoint the referee. The referee shall report a statement of decision to the court. Nothing in this paragraph shall limit the right of any Depositor any time to exercise self-help remedies, foreclose against collateral or obtain provisional remedies. The parties shall bear the fees and expenses of the referee equally, unless the referee orders otherwise. The referee shall also determine all issues relating to the applicability, interpretation, and enforceability of this paragraph. The parties acknowledge that if a referee is selected to determine the Claims, then the Claims will not be decided by a jury.

Section 21. Tax Matters.

(a) Withholding Forms. Depository Agent does not have any interest in the Account Property deposited hereunder but is serving as depository holder only and having only possession thereof. Depositor will pay or reimburse Depository Agent upon request for any transfer taxes or other taxes relating to the Account Property incurred in connection herewith and will indemnify and hold harmless Depository Agent from any amounts that it is obligated to pay in the way of such taxes. Any payments of income from this Account will be subject to withholding regulations then in force with respect to United States taxes. Due to the requirement that all Accounts have Taxpayer Identification Numbers documented by appropriate W-8 or W-9 forms, Depositor shall return the appropriate form to Depository Agent, duly completed and signed by the authorized representative. Depositor acknowledges that failure to provide such forms may prevent or delay disbursement of the Funds hereunder.

(b) Tax Reporting. Depository Agent will report payments of income from the Account on an annual basis as required by law, by providing the applicable IRS Form 1099 or Form 1042-S.

(c) Owner(s) of Income. For purposes of reporting the aggregate amount of income on the Account Property, Depositor shall be considered owner of such income.

Section 22. USA PATRIOT Act. Depositor shall provide to Depository Agent such information as Depository Agent may reasonably require to permit Depository Agent to comply with its obligations under the federal USA PATRIOT Act (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001). Depository Agent shall not credit any amount of interest or investment proceeds earned on the Fund, or make any payment of all or a portion of the Fund, to any person unless and until such person has provided to Depository Agent such documents as Depository Agent may require to permit Depository Agent to comply with its obligations under such Act. Further, each of the parties represents and warrants to Depository Agent that it is not a hedge fund. If any of the parties is a hedge fund that is not sponsored by a registered investment advisor, such Depositor agrees to enter into the form of Due Diligence Agreement provided by Depository Agent.

Section 23. Miscellaneous.

(a) The rights and remedies conferred upon the parties hereto shall be cumulative, and the exercise or waiver of any such right or remedy shall not preclude or inhibit the exercise of any additional rights or remedies. The waiver of any right or remedy hereunder shall not preclude the subsequent exercise of such right or remedy.

(b) This Agreement is for the exclusive benefit of the parties hereto and their respective successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever.

(c) Each party hereby represents and warrants (i) that this Agreement has been duly authorized, executed and delivered on its behalf and constitutes its legal, valid and binding obligation and (ii) that the execution, delivery and performance of this Agreement by the parties hereto does not and will not violate any applicable law or regulation.

(d) The headings contained in this Agreement are for convenience of reference only and shall have no effect on the interpretation or operation hereof.

(e) Except as otherwise permitted herein, this Agreement may be modified only by a written amendment signed by an Authorized Representative, and no waiver of any provision hereof will be effective unless expressed in a writing signed by an Authorized Representative.

(f) No party may assign any of its rights or obligations under this Agreement without the written consent of the other parties.

(g) Any entity into which Depository Agent may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which Depository Agent will be a party, or any entity succeeding to all or substantially all the business of Depository Agent will be the successor of Depository Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

HIGHPOINTE JPR 308, LLC,
a California limited liability company

By: Highpointe JPR, L.P., a California
limited partnership, Its Authorized
Member

By: Highpointe Investments, Inc.,
a California corporation, Its
General Partner

By: _____
Timothy D. England, SVP

CITY OF CALIMESA, a municipal corporation

By: _____
Title: _____

UNION BANK, N.A.
as Depository Agent

By _____
Name:
Title:

SCHEDULE I

Authorized Representative(s) of Depositor

The undersigned certifies that each of the individuals listed below is an authorized representative of Depositor with respect to any instruction or other action to be taken in connection with the Depository Agreement and Union Bank, N.A. shall be entitled to rely on such list until a new list is furnished to Union Bank, N.A.

Signature: _____
Print:
Title:
Phone:
Fax:
Email:

Signature: _____
Print:
Title:
Phone:
Fax:
Email:

The undersigned further certifies that he or she is duly authorized to sign this Authorized Representative signing authority.

Signature: _____ **
Name:
Its:
Date:

**To be signed by corporate secretary/assistant secretary. When the secretary is among those authorized above, the president must sign in the additional signature space provided below. For entities other than corporations, an authorized signatory not signing above should sign this Authorized Representative signing authority.

(Additional signature, if required)

Signature: _____
Name:
Its:
Date:

SCHEDULE II

DEPOSITORY AGENT COMPENSATION

RESOLUTION NO. 2013-22

RESOLUTION OF INTENTION OF THE CITY COUNCIL OF THE CITY OF CALIMESA TO INCUR BONDED INDEBTEDNESS IN THE AMOUNT NOT TO EXCEED \$3,000,000, \$5,000,000 AND \$4,000,000 WITHIN IMPROVEMENT AREA NO. 1, IMPROVEMENT AREA NO. 2 AND IMPROVEMENT AREA NO. 3, RESPECTIVELY, OF THE PROPOSED CITY OF CALIMESA COMMUNITY FACILITIES DISTRICT NO. 2013-1 (JP RANCH)

WHEREAS, the City Council (the “Council”) of the City of Calimesa (the “City”) has heretofore adopted Resolution No. 2013-21, stating the Council’s intention to form Community Facilities District No. 2013-1 (JP Ranch) (the “CFD”), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the California Government Code (the “Act”), to finance the purchase, construction, expansion or rehabilitation of certain real and other tangible property with an estimated useful life of five years or longer, including public infrastructure facilities and other governmental facilities, which are necessary to meet increased demands placed upon the City as a result of development or rehabilitation occurring within the proposed CFD (the “Facilities”); and

WHEREAS, the Council has heretofore adopted Resolution No. 2013-21 designating portions of the CFD as Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3 (each an “Improvement Area” and collectively, the “Improvement Areas”); and

WHEREAS, in order to finance the Facilities it is necessary to incur bonded indebtedness on behalf of the CFD in the amounts not to exceed \$3,000,000, \$5,000,000 and \$4,000,000 for Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3, respectively, the repayment of which is to be secured by special taxes levied in accordance with Section 53340 et seq. of the Act on all property within the respective Improvement Areas, other than those properties exempted from taxation as provided in the respective rate and method of apportionment attached as Exhibit B to Resolution No. 2013-21;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CALMESA DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The above recitals are true and correct.

Section 2. It is necessary to incur bonded indebtedness within each Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3 of the CFD in the amounts not to exceed \$3,000,000, \$5,000,000 and \$4,000,000, respectively, to finance the costs of the Facilities for each Improvement Area.

Section 3. The bonded indebtedness will be incurred for the purpose of financing the costs of designing, constructing and acquiring the Facilities, the acquisition of necessary equipment and property therefor and fulfilling contractual commitments and carrying out the powers and purposes of the CFD, including, but not limited to, the financing of the costs

associated with the issuance of the bonds and all other costs necessary to finance the Facilities which are permitted to be financed pursuant to the Act.

Section 4. Each Improvement Area shall pay for its bonded indebtedness.

Section 5. It is the intent of the Council, acting as the legislative body of the CFD, to authorize the sale of bonds in one or more series, in the maximum aggregate principal amount not to exceed \$3,000,000, \$5,000,000 and \$4,000,000 for Improvement Area No. 1 and Improvement Area No. 2, respectively, bearing interest payable semi-annually or in such other manner as the Council shall determine at a maximum interest rate of 12 percent per annum or such rate not in excess of the maximum rate permitted by law at the time the bonds are issued. The term of the bonds of each series shall be determined pursuant to a resolution of the Council authorizing the issuance of the bonds of such series, but such term shall in no event exceed 40 years or such longer term as is then permitted by law.

Section 6. A public hearing (the "Hearing") on the proposed debt issue shall be held on August 5, 2013 at 6:00 o'clock p.m., or as soon thereafter as practicable, at the chambers of the City Council of the City of Calimesa, 908 Park Avenue, Calimesa, California 92320.

Section 7. At the Hearing at the time and place set forth above, any interested persons, including all persons owning land or registered to vote within the proposed CFD, may appear and be heard at the Hearing.

Section 8. The proposition to incur bonded indebtedness in the maximum aggregate principal amount not to exceed \$3,000,000, \$5,000,000 and \$4,000,000 for Improvement Area No. 1, Improvement Area No. 2 and Improvement Area No. 3, respectively, shall be submitted to the qualified electors of the respective Improvement Area. A special community facilities district election shall be conducted on August 5, 2013. The special election shall be conducted by hand delivered or mailed ballot election with return postage prepaid. The ballots shall be returned to the office of the election officer no later than 11:00 o'clock p.m. on August 5, 2013.

Section 9. The City Clerk is hereby directed to publish a notice ("Notice") of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of the proposed CFD. Such Notice shall contain information set forth in Section 53346 of the Act

Section 10. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED this _____ day of _____,
2013, by the following vote:

AYES:

NOES:

ABSET:

ABSTAIN:

William "Bill" Davis, Mayor

ATTEST:

Darlene Gerdes, City Clerk

APPROVED AS TO FORM:

Kevin Ennis, City Attorney