

**CITY MANAGER'S REPORT
AUGUST 13, 2018, CITY COUNCIL REGULAR MEETING
RESTRUCTURE OF COMMUNITY FACILITIES DISTRICT 2006-1
SPECIAL TAX BONDS**

California Government Code Section 53760.3, *et al.* The City Attorney and outside counsel met several times with the owner of 92% of the 2006-1 Bonds (whose affiliate entities are the Majority Landowners) ("Saybrook Bondholder") and its outside counsel. As a result of those meetings, the terms of the Restructuring Agreement were negotiated and documented. The Majority Landowners, the Saybrook Bondholder and CFD 2006-1 are now in a position to move forward to implement the restructure of the 2006-1 Bonds, which contemplates paying the minority bondholders (all bondholders other than the Saybrook Bondholder) in full.

In furtherance of the restructuring efforts, on or about July 1, 2017, the Landowners and the City entered into the Deposit Agreement under which the Landowners agreed to fund the costs of the City and its agents in connection with the restructuring efforts pursuant to the terms thereof. The initial deposit forwarded to the City was \$250,000.

Staff believes that it is in the best interest of CFD 2006-1, holders of the 2006-1 Bonds, the City, and its residents to approve the Restructuring Agreement to facilitate the restructure of the defaulted obligations of CFD 2006-1 pursuant to the terms of the Restructuring Agreement. In the Restructuring Agreement the Landowners ask the City to proceed with the establishment of two new CFDs – Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) and five improvement areas therein ("CFD 2018-1"), and Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities) ("CFD 2018-2") in order to restructure the 2006-1 special taxes and bond debt and facilitate the prepayment of a portion of and a termination of all remaining special taxes (including all penalties and interest) on parcels within the CFD 2006-1 which would be dissolved. CFD 2018-1 would cover approximately \$45,800,000 of the outstanding CFD 2006-1 obligation and CFD 2018-02 would cover approximately \$26,500,000 of the outstanding CFD 2006-1 obligation. After the restructure, 2006-01 will be satisfied on all land and only Saybrook-owned land subject to CFDs 2018-1 and 2018-2.

BACKGROUND:

In 2006 CFD 2006-1 was formed and established by the City following a public hearing and a landowner election at which the then qualified electors of CFD 2006-1 authorized CFD 2006-1 to incur bonded indebtedness in the total amount of \$200,000,000 and approved the levy of special taxes pursuant to the Rate and Method of Apportionment of Special Taxes ("2006-1 RMA"). The first 2006-1 Bonds in the aggregate amount of \$50,000,000 were issued in 2006. No further 2006-1 Bonds have been issued or will be issued. The 2006-1 Bonds are limited obligations of CFD 2006-1, secured by and payable solely from the proceeds of the special taxes levied on the property within the boundaries of CFD 2006-1. Semi-annual principal and interest payments to holders of the 2006-1 Bonds are due March 1 and September 1 each year.

The City has the power and is obligated pursuant to the covenants contained in the Bond Indenture for CFD 2006-1 to cause the levy and collection of the special taxes annually in an amount determined according to the 2006-1 RMA. In addition, the City is required to commence and prosecute foreclosure actions upon delinquent property owners within CFD 2006-1 when a property owner fails to pay its special taxes.

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Certain landowners within CFD 2006-1 failed to pay their respective special taxes for fiscal years 2008 through 2018. As of June 30, 2018, there was approximately \$79 million of outstanding delinquent special taxes, plus penalties, interest, and fees of \$56 million. In furtherance of its obligations, the City commenced 12 actions involving the 42 defaulted taxable parcels of land within CFD 2006-1. The City has obtained judgments and Writs of Sale on all but one action. The Writs have been sent to the Sheriff's office. The City is hopeful that Sheriff sales will be scheduled soon. Due to the extent of delinquent amounts, the value of the property and the foreclosure rules set forth under the Mello-Roos Act and in the Bond Indenture, the sale of the property at a foreclosure sale to an unrelated third-party is unlikely.

As a result of the delinquent special taxes, principal payments to the owners of the 2006-1 Bonds have not been made since 2007. Only a minimal amount of interest has been paid during this time from the Reserve Fund. The Reserve Fund has been depleted. As of June 30, 2018, the principal balance due on the 2006-1 Bonds is \$49,750,000, of that amount \$3,900,000 is currently due and payable. In addition, there is approximately \$25,955,800 in accrued and unpaid interest due the owners of the 2006-1 Bonds.

The Saybrook Bondholder owns \$45,735,000 (or 92%) of the 2006-1 Bonds. Staff has identified the brokers/dealers of the owners of the remaining \$4,015,000 (or 8%) of the 2006-1 Bonds ("Minority Bondholders"). The ultimate beneficial owners cannot be readily identified, although there is a process in place to ensure that beneficial owners of the 2006-1 Bonds receive notice of the transactions contemplated under the Restructuring Agreement.

Staff has determined that the approval of the Restructuring Agreement and consummation of the transactions contained therein, is necessary and appropriate in order to (i) pay in full the Minority Bondholders, (ii) restructure the remaining indebtedness of CFD 2006-1 in the amount of approximately \$76 million, and (iii) facilitate the prepayment of a portion of and a termination of all remaining special taxes (including all penalties and interest) on parcels within CFD 2006-1, certain of which parcels are proposed to be included in CFD 2018-1 and, in turn, end CFD 2006-1's obligations to bondholders.

The most important terms of the Restructuring Agreement are as follows:

1. City will establish CFD 2018-1 and CFD 2018-2 for the purpose of paying off in full the obligations of the 2006-1 Bonds owned by Saybrook Bondholder. The boundaries of CFD 2018-1 and CFD 2018-2 are identical but the parcels within CFD 2018-1 and CFD 2018-2 are only portion of the parcels that make up CFD 2006-1. CFD 2006-1 future obligations will be removed from all parcels not owned by Saybrook.
2. City will take the actions necessary to authorize and issue the Series 2018-1 Bonds on behalf of CFD 2018-1 and the Series 2018-2 Bonds on behalf of CFD 2018-2 (collectively, "Series 2018 Bonds") in the collective approximate amount of \$76 million for the purpose of paying off in full and cancelling the CFD 2006-1 Bonds owned by Saybrook

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Bondholder. The Series 2018 Bonds will be secured by the levy of special taxes pursuant to the applicable Rate and Method of Apportionment of Special Taxes CFD 2018-1 and CFD 2018-2.

3. The City and Saybrook Bondholder will instruct the Trustee of the 2006-1 Bonds ("2006 Trustee") to commence an action in a court in Minnesota seeking instruction relating to the administration of a trust pursuant to Minn. Statute § 501C.0201-0208 ("TIP Proceeding") to: (i) obtain an order authorizing and directing the 2006 Trustee to make the payments to Minority Bondholders as described in the Restructuring Agreement; (ii) satisfy in full matured 2006-1 Bonds owned by the Minority Bondholders pursuant to Section 8.3 of the 2006 Bond Indenture; (iii) redeem in full the unmatured 2006-1 Bonds owned by the Minority Bondholders; and (iv) carry out the other actions related thereto ("Final Tip Order").
4. The closing of the bond transactions is anticipated to be not more than ninety (90) days following the last to occur, unless otherwise extended by the parties ("Closing Date"), of (i) the receipt of resolutions establishing CFD 2018-1 and CFD 2018-2 and authorizing the issuance of the Series 2018 Bonds, the effectiveness of which will be subject only to the actual occurrence of the Closing Date, and (ii) the receipt of a Final TIP Order. The Restructuring Agreement terminates if the Closing Date does occur within 24 months of the execution by all of the parties, unless it is otherwise extended by agreement of the parties.
5. Prior to the Closing Date, the Landowners will remit to the 2006 Trustee cash in the amount necessary to satisfy in full the obligations of the Minority Bondholders under the 2006-1 Bonds.
6. On the Closing Date, the 2006 Trustee will (i) pay Minority Bondholders the amount necessary to satisfy in full the principal and delinquent interest owed on their respective matured and unmatured 2006-1 Bonds, and (ii) deliver Saybrook Bondholder its new holdings of Series 2018-1 Bonds and Series 2018-2 Bonds, in certificated form, to satisfy in full the principal and delinquent interest owed under Saybrook Bondholder's 2006-1 Bonds.
7. In connection with the Closing, the City, with approval of Council, will discharge and waive all or any portion of the past, current, or future CFD 2006-1 special taxes and the delinquent special taxes and all penalties, interest, costs and other charges accrued thereon, that remain outstanding with respect to CFD 2006-1 special taxes that were levied in any fiscal year pursuant to the CFD 2006-1 RMA.
8. Upon the occurrence of the closing, Saybrook Bondholder releases and discharges the City from any and all claims, demands, causes of action, and expenses arising from or relating in any way to (a) the 2006-1 Bonds (b) the receipt of Series 2018 Bonds in lieu of a cash payment to discharge the obligations of its holdings of 2006-1 Bonds, (c) the discharge and

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waiver by the City and CFD 2006-1 of all or any portion of the past, current, or future CFD 2006-1 special taxes and the delinquent special taxes and all penalties, interest, costs, and other charges accrued thereon that remain outstanding with respect to CFD 2006-1 special taxes that were levied in any fiscal year pursuant to the CFD 2006-1 RMA, (d) the dissolution of the CFD 2006-1, (e) unpaid interest and principal payments under its 2006-1 Bonds as of the Closing Date in excess of the Series 2018 Bonds it will receive (only if less than \$1,000), (f) the risk that the Series 2018-2 Bonds may not be paid in full or otherwise ever satisfied in full, and (g) the special tax formula in the CFD 2018-2.

The City, acting on behalf of CFD 2006-1, has previously retained the firms of Allen Matkins Leck Gamble Mallory & Natsis as Special Counsel, Jones Hall as Bond Counsel, and Goodwin Consulting Group as Special Tax consultant to negotiate the terms of the Restructuring Agreement and implement the same.

REASON FOR RECOMMENDATION:

Once the indebtedness of CFD 2006-1 has been restructured, the delinquency issues of CFD 2006-1 will have been resolved, thereby facilitating the current development plan of land within CFD 2018-1 (and overlapping CFD 2018-2) which will benefit the City, its citizens and the community. Upon a successful restructure of the obligations of CFD 2006-1, residential, retail, and commercial development should begin in Central Lathrop. Additionally, the City will have resolved the delinquency issues related to CFD 2006-1 and the negative effect it may have had on the City's ability to borrow funds in the market.

FISCAL IMPACT:

There is no negative Fiscal Impact to the City and its general fund. Pursuant to the Deposit Agreement, as amended, by and between the City and the Majority Landowners all costs of the transactions contemplated under the Restructuring Agreement are being paid by the Majority Landowners.

ATTACHMENTS:


1. Restructuring Agreement for City of Lathrop, Community Facilities District No. 2006-1 by and between City of Lathrop, Saybrook CLSP, LLC, Lathrop Land Acquisition, LLC, Lathrop Acquisition LLC, and UMB Bank.
2. A Resolution of the City Council of the City of Lathrop Acting as the Legislative Body of the Community Facilities District 2006-01 to Approve a Restructuring Agreement Related to Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure), Authorize certain Action by the Bond Trustee Related thereto, Authorize and Alternate Form of Prepayment of Special Tax Obligation for Parcels Within Such Community Facilities District and Approving Related Documents and Actions. Exhibit A is a copy of the Restructuring Agreement as Attachment 1.

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3. A Resolution of the City Council of the City of Lathrop to Establish a Community Facilities District (CFD 2018-1) and Five Improvement Areas therein and Levy a Special Tax.
4. A Resolution of the City Council of the City of Lathrop to Incur Bonded Indebtedness in and for each Improvement Area of a Community Facilities District (CFD 2018-1).
5. A Resolution of the City Council of the City of Lathrop to Establish a Community Facilities District (CFD 2018-2) and Levy a Special Tax.
6. A Resolution of the City Council of the City of Lathrop to Incur Bonded Indebtedness in and for a Community Facilities District (CFD 2018-2).
7. Boundary Maps.

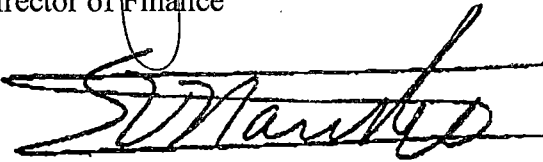
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APPROVALS:



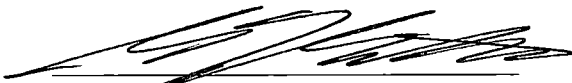
Cari James
Director of Finance

8/8/18
Date



Salvador Navarrete
City Attorney

8/8/18
Date



Stephen J. Salvatore
City Manager

8-9-18
Date

ATTACHMENT 1
RESTRUCTURING AGREEMENT

**RESTRUCTURING AGREEMENT FOR CITY OF LATHROP,
COMMUNITY FACILITIES DISTRICT NO. 2006-1**

THIS RESTRUCTURING AGREEMENT FOR CITY OF LATHROP, COMMUNITY FACILITIES DISTRICT NO. 2006-1 ("Agreement") is made and entered into this __ day of August 2018, by and between the CITY OF LATHROP, a California general law city, for itself ("City") and on behalf of COMMUNITY FACILITIES DISTRICT NO. 2006-1 ("CFD 2006-1," and together with City, "City Parties"), SAYBROOK CLSP, LLC, a Delaware limited liability company ("CLSP"), LATHROP LAND ACQUISITION, LLC, a Delaware limited liability company ("LLA"), LATHROP ACQUISITION LLC, a Delaware limited liability company ("Saybrook Bondholder," and together with CLSP and LLA, the "Saybrook Parties"), and UMB Bank, National Association, not individually, but solely in its capacity as trustee ("Trustee"), trustee under the 2006 Bond Indenture (as defined below), in relation to the matters below. For purposes of this Agreement, the City, CFD 2006-1, LLA, CLSP, Saybrook Bondholder, and Trustee shall be referred to herein individually as a "Party" and collectively as the "Parties," as appropriate. Capitalized terms used in this Agreement, including the Recitals, that are not otherwise defined shall have the meaning given such terms in Article I of this Agreement.

RECITALS

FORMATION OF THE 2006 CFD

A. On June 6, 2006, pursuant to the Mello-Roos Act, Lathrop City Council adopted Resolution No. 06-2164 forming CFD 2006-1, encompassing approximately 890 acres intended for mixed use, master-planned communities on the western boundary of the City ("Site") within the larger area designated for development as the Central Lathrop Specific Plan. Contemporaneously with its formation, Lathrop City Council adopted a Rate and Method of Apportionment for a Special Tax ("CFD 2006-1 RMA"), authorized the issuance of bonds to finance certain public facilities for the Site, and approved the levy of Special Taxes as reflected in the CFD 2006-1 RMA to, among other things, service the debt on any bonds issued.

ISSUANCE OF 2006-1 BONDS

B. On July 18, 2006, in connection with Resolution No. 06-2209, the City, for and on behalf of CFD 2006-1, authorized the issuance of \$50,000,000 aggregate principal amount of the City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds, Series 2006 (Base CUSIP No. 51825P) to finance the construction of certain public facilities for the Site. The 2006-1 Bonds were issued under an Indenture, dated September 1, 2006, between the City and the Trustee, as such was supplemented and amended subsequent to the initial execution (as so supplemented and amended, the "2006 Bond Indenture").

C. The 2006-1 Bonds are secured by a first-priority security interest in net special taxes levied against the taxable land within the boundaries of CFD 2006-1 (CFD 2006-1 Special Taxes and equivalents, including proceeds from foreclosure sales, if any, less administrative costs of CFD 2006-1), and certain bank accounts maintained by the Trustee.

DEFAULTS UNDER THE 2006-1 BONDS

D. As a result of the non-payment of CFD 2006-1 Special Taxes by the property owners within the boundaries of CFD 2006-1 and depletion of the Reserve Fund (as defined in the 2006 Bond Indenture), CFD 2006-1 has been unable to pay principal and interest payments to the owners of the 2006-1 Bonds when such payments have been due.

E. As of June 30, 2018, 2006-1 Bonds in an aggregate principal amount of \$49,750,000 remain outstanding, of which \$3,900,000 has fully matured. As of that same date, accrued and unpaid interest (including, interest on interest) of approximately \$26 million remains outstanding.

F. As of June 30, 2018, the Trustee maintained the following accounts, as each are described in the 2006 Bond Indenture: \$296,062.07 in the Special Tax Fund, \$50.81 in the Improvement Fund, \$0.32 in the Reserve Fund, and \$38,602.38 in the Trustee Fee and Compliance Expense Reserve Fund Account.

G. Saybrook Bondholder owns \$45,735,000 of 2006-1 Bonds, representing approximately ninety-two percent (92%) of all 2006-1 Bonds. The remaining \$4,015,000 of 2006-1 Bonds, approximately eight percent (8%), are owned generally by retail investors.

H. On May 15, 2017, in connection with restructuring efforts of the obligations of CFD 2006-1, Lathrop City Council, acting as the legislative body of CFD 2006-1, authorized the commencement of the AB 506 Process. Notice of the AB 506 Process was served on all holders of 2006-1 Bonds. As of June 30, 2018, in addition to Saybrook Bondholder, the City has received responses from fifteen (15) other owners of 2006-1 Bonds that have indicated a willingness to participate in the process. These fifteen (15) other owners, own \$990,000 (or approximately 2%) of the 2006-1 Bonds.

THE PROPERTY WITHIN CFD 2006-1

I. As of the date hereof, CLSP and LLA (collectively, "Landowners") own all but one of the land parcels currently subject to the payment of CFD 2006-1 Special Taxes.

J. CFD 2006-1 Special Taxes are delinquent against all taxable parcels within CFD 2006-1. As of June 30, 2018, the total amount of delinquent CFD 2006-1 Special Taxes was \$78,860,120.03, plus penalties, interest, and other charges of \$56,150,564.63.

K. The City, on behalf of CFD 2006-1, has commenced and is prosecuting twelve (12) judicial foreclosure proceedings ("Foreclosure Litigation") with respect to the delinquent taxable parcels within CFD 2006-1 under the Mello Roos Act, including those parcels owned by the Landowners. Judgments have been obtained with respect to eleven (11) of the proceedings and sheriff sales are currently being calendared. In addition to the amounts due and owing with respect to CFD 2006-1, the judgments also include the amounts due and owing with respect to special taxes levied by the City of Lathrop Community Facilities District No. 2006-2 (Central Lathrop Specific Plan Services ("CFD 2006-2"). One hundred percent (100%) of the proceeds of sheriff sales, if any, prior to the Closing Date will be allocated as noted in the judgments between CFD 2006-1 and CFD 2006-2 (which amounts will cover all delinquent special taxes, penalties,

interest and costs for both CFD 2006-1 and CFD 2006-2) and (i) deposited as required under the 2006 Bond Indenture in the Special Tax Fund account and the Trustee Fee and Compliance Expense Reserve Fund account with respect to amounts relating to CFD 2006-1 (and subsequently applied as noted in this Agreement), and (ii) reimbursed to the City and County as required by CFD 2006-2 with respect to amounts relating to CFD 2006-2.

L. On December 5, 2016, Lathrop City Council adopted Ordinance No. 16-370 with respect to the approval of the Assignment and Amendment of Development Agreement dated December 5, 2016, by and between the City, on the one hand, and the Landowners, on the other hand ("Development Agreement"), relating to a large portion of the property located in CFD 2006-1 owned or to be owned by the Landowners.

M. The City has made adequate progress in connection with its required findings under Senate Bill 5 relating to flood management involving the Sacramento-San Joaquin Valley.

N. Now that development of their property is feasible, the Landowners believe that a restructuring of the obligations of CFD 2006-1 is necessary to ensure that the development of the property progresses and the payment of principal and interest on the 2006-1 Bonds, as restructured herein, occurs.

O. In furtherance of the restructuring, on or about July 1, 2017, the Landowners and the City entered into the Deposit Agreement under which the Landowners agreed to fund the costs of the City and its agents in connection therewith pursuant to the terms thereof. On or about August 7, 2018, the Deposit Agreement was amended to include the costs of the Trustee and its agents, other than amounts paid to the Trustee and its agents from accounts held under the 2006 Bond Indenture.

AGREEMENT

NOW, THEREFORE, in consideration of the above recitals, the covenants and agreements made herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

Section 1.1 Definitions. Unless the context otherwise requires, the capitalized terms used in this Agreement, including the Recitals, and defined in this Section, shall, for all purposes of this Agreement, have the meanings herein specified.

"2006-1 Bonds" means the outstanding CFD 2006-1 Special Tax Bonds, Series 2006 (Base CUSIP No. 51825P) issued by CFD 2006-1 in the current outstanding principal amount of \$49,750,000.

"2006 Bond Indenture" has the meaning ascribed to it in Recital B.

"2018-1 Bond Indenture" means the single Indenture between the City and the Trustee governing the Series 2018-1 Bonds, or alternatively and as applicable, a separate indenture for each Improvement Area.

"2018-2 Bond Indenture" means the Indenture between the City and the Trustee governing the Series 2018-2 Bonds.

"AB 506 Process" means the proceeding initiated by the City pursuant to California Government Code Section 53760.3, *et al.* for the purposes of communicating with the owners of the 2006-1 Bonds as a prerequisite to taking action with respect to any potential bankruptcy case for CFD 2006-1.

"Accredited Investor" shall have the meaning ascribed thereto in Rule 506 of Regulation D promulgated under and pursuant to the United States Securities Act of 1933, as amended.

"Acknowledgment and Waiver" has the meaning ascribed to it in Section 6.1.

"Administrative Expense Reserve Fund" has the meaning ascribed to it in Section 8.1.

"Agreement" means this Restructuring Agreement for City of Lathrop, Community Facilities District No. 2006-1.

"Bondholders" means the owners of the 2006-1 Bonds.

"City" means the City of Lathrop.

"CFD 2006-1" means City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure).

"CFD 2006-1 RMA" has the meaning ascribed to it in Recital A.

"CFD 2006-1 Special Taxes" means the special taxes levied on the taxable parcels of property located within CFD 2006-1 pursuant to the CFD 2006-1 RMA.

"CFD 2006-2" means City of Lathrop Community Facilities District No. 2006-2 (Central Lathrop Specific Plan Services).

"CFD 2018-1" means City of Lathrop Community Facilities District No. 2018-1.

"CFD 2018-1 RMA" means collectively, the Rate and Method of Apportionment for City of Lathrop Community Facilities District No. 2018-1 for each of the Improvement Areas.

"CFD 2018-1 Special Taxes" means the special taxes levied on the taxable parcels of property located within CFD 2018-1 and each Improvement Area therein, pursuant to the respective CFD 2018-1 RMA.

"CFD 2018-2" means City of Lathrop Community Facilities District No. 2018-2.

"CFD 2018-2 RMA" means the Rate and Method of Apportionment for City of Lathrop Community Facilities District No. 2018-2.

"CFD 2018-2 Special Taxes" means the Maximum One-Time Special Tax levied on the taxable parcels of property located within CFD 2018-2 pursuant to the CFD 2018-2 RMA.

"CFD Proceeding" means the proceedings pursuant to the Mello Roos Act to establish CFD 2018-1 and CFD 2018-2, approval of the CFD 2018-1 RMAs and CFD 2018-2 RMA and special taxes levied pursuant thereto, and to approve and issue the Series 2018-1 Bonds and Series 2018-2 Bonds.

"City Indemnitees" has meaning ascribed to it in Section 6.6.

"Closing" shall have the meaning ascribed to it in Section 4.1.

"Closing Date" shall have the meaning ascribed to it in Section 4.1.

"Council Member" means the members of the Lathrop City Council.

"Delinquent Interest" means the aggregate amount of interest accrued on the 2006-1 Bonds, including interest on interest, that remains unpaid.

"Delinquent Special Taxes" means the aggregate amount of CFD 2006-1 Special Taxes levied by the City, on behalf of CFD 2006-1, against taxable parcels/lots within the boundaries of CFD 2006-1 in accordance with CFD 2006-1 RMA, that remain unpaid at any given time.

"Deposit Agreement" means the Deposit Agreement dated July 1, 2017, by and between the Landowners, on the one hand, and the City, on the other hand, as amended thereafter by the parties.

"Development Agreement" has the meaning ascribed to it in Recital K.

"DTC" means Depository Trust Company.

"DWAC" has the meaning ascribed to it in Section 6.2.

"Extraordinary Administration Deposit" shall mean \$200,000.

"Final Tip Order" means with respect to the TIP Proceeding, sixty-three (63) days following the filing of notice of the order obtained by the Trustee in the TIP Proceeding authorizing and directing the Trustee to, among other things, make the payments described in Sections 5.1 and 5.3 to the Minority Bondholders, provided that the order has not been appealed, stayed or vacated during the 63 day period.

"Foreclosure Litigation" has the meaning ascribed to it in Recital J.

"Improvement Area" means one or more of the improvement areas 1, 2, 3, 4, and/or 5 located within CFD 2018-1, as shown on the Boundary Map attached hereto as Exhibit A.

"Landowners" has the meaning ascribed to it in Recital H.

"Lathrop City Council" means the City Council for the City of Lathrop.

"Limited Developer Disclosure" shall have the meaning ascribed in paragraph 9 of Exhibit D.

"Matured 2006-1 Bonds" means the series of 2006-1 Bonds that have matured.

"Maximum One-Time Special Tax" has the meaning ascribed to it in the CFD 2018-2 RMA.

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

"Minority Bondholders" means the Bondholders, other than Saybrook Bondholder, representing approximately 8% of the outstanding 2006-1 Bonds holding \$4,015,000 principal amount of 2006-1 Bonds.

"Minority Bondholder Acknowledgment and Waiver" has the meaning ascribed to it in Section 5.8.

"Minority Holder Payment Date" has the meaning ascribed to it in Section 4.2.

"Party" or "Parties" mean City, LLA, CLSP, Saybrook Bondholder, and the Trustee.

"Payment Confirmation" has the meaning ascribed to it in Section 5.5.

"Payment Instructions" has the meaning ascribed to it in Section 4.3.

"Principal" means the principal due at any given time on the 2006-1 Bonds.

"PPM" means Private Placement Memorandum.

"Saybrook Bondholder" means Lathrop Acquisition LLC, the majority Bondholder owning approximately 92% of the outstanding 2006-1 Bonds.

"Series 2018 Bonds" means collectively, the Series 2018-1 Bonds and Series 2018-2 Bonds.

"Series 2018-1 Bonds" means, collectively, the special tax bonds issued with respect to the Improvement Areas in the principal amount of \$45,735,000 that will be issued by CFD 2018-1 to Saybrook Bondholder on the Closing Date; or as required by the context, such special tax bonds for any specific Improvement Area.

"Series 2018-2 Bond Maturity Date" has the meaning ascribed to it in paragraph 2 on Exhibit E.

"Series 2018-2 Bonds" means special tax bonds that will be issued by CFD 2018-2 to Saybrook Bondholder on the Closing Date in the principal amount equal to the principal amount of 2006-1 Bonds held by Saybrook Bondholder plus Delinquent Interest owed thereunder as of the Closing Date less the aggregate amount of Series 2018-1 Bonds issued on the Closing Date to Saybrook Bondholder.

"Site" has the meaning ascribed to it in Recital A.

"TIP Proceeding" has the meaning ascribed to it in Section 3.1.

"Triangle" means all of the parcels/lots owned by LLA within Improvement Area 1.

"Trustee" means UMB Bank.

"Unmatured 2006-1 Bonds" means the 2006-1 Bonds that have yet to mature.

Section 1.2 Internal References. All references herein to "Articles," "Sections" and other subsections or subdivisions are to the corresponding Articles, Sections or subsections or subdivisions of this Agreement. The words "herein," "hereof," "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section or subdivision hereof.

ARTICLE II ESTABLISHMENT OF NEW COMMUNITY FACILITIES DISTRICTS

Section 2.1 Formation of CFD 2018-1 and CFD 2018-2. City shall take the actions necessary and appropriate under the Mello Roos Act to establish and form CFD 2018-1 and CFD 2018-2 for the purpose of paying off in full the obligations of the 2006-1 Bonds owned by Saybrook Bondholder and secured by the special taxes authorized to be levied under the CFD 2006-1 RMA. The boundary maps for: (i) CFD 2018-1 and each of the Improvement Areas therein, each of which is comprised of the assessor parcels identified therein, and (ii) CFD 2018-2, are attached collectively hereto as Exhibit A. LLA agrees it will not protest the formation of CFD 2018-1 and CFD 2018-2, the levy of CFD 2018-1 Special Taxes within CFD 2018-1, the levy of the CFD 2018-2 Maximum One-Time Special Tax or CFD 2018-2 Minimum One-Time Special Tax, as applicable, within CFD 2018-2, the issuance of the Series 2018-1 Bonds secured by such CFD 2018-1 Special Taxes, the issuance of the Series 2018-2 Bonds secured by CFD 2018-2 Special Taxes and agrees to cast its ballot in favor of the levy of the CFD 2018-1 Special Taxes within CFD 2018-1, the CFD 2018-2 Special Taxes within CFD 2018-2, the issuance of Series 2018-1 Bonds and Series 2018-2 Bonds, and the establishment of appropriation limits for each of the Improvement Areas within CFD 2018-1 and CFD 2018-2, the aggregate of which equal the aggregate principal amount of the Series 2018-1 Bonds and Series 2018-2 Bonds. The City will make all required findings necessary to allow the Landowners to tender any Series 2018 Bonds in full satisfaction of special taxes, penalties and interest thereon pursuant to Section 53344.1 and/or 53356.8 of the Mello Roos Act, as applicable.

Section 2.2 CFD 2018-1 RMA. CFD 2018-1 RMA for each of the Improvement Areas, in substantially the forms attached hereto as Exhibit B, shall be used in connection with CFD 2018-1 formation proceedings. The terms and provisions of the CFD 2018-1 Special Taxes are set forth in the CFD 2018-1 RMAs and, if required for any reason, including current market conditions, coverage requirements or laws and regulations applicable to the issuance of the Series 2018-1 Bonds may be amended or otherwise altered with the prior written consent of the Landowners and the City Parties and in accordance with the terms of the Mello Roos Act.

Section 2.3 CFD 2018-2 RMA. CFD 2018-2 RMA, in substantially the form attached hereto as Exhibit C, shall be used in connection with CFD 2018-2 formation proceedings. The terms and provisions of the Maximum One-Time Special Tax are set forth in the CFD 2018-2

RMA and, if required for any reason including current market conditions, or laws and regulations applicable to the issuance of the Series 2018-2 Bonds may be amended or otherwise altered with the prior written consent of the Landowners and the City Parties and in accordance with the terms of the Mello Roos Act.

Section 2.4 Issuance of Series 2018 Bonds. City shall take the actions necessary and appropriate under the Mello Roos Act to authorize and issue the Series 2018-1 Bonds on behalf of CFD 2018-1 and the Series 2018-2 Bonds on behalf of CFD 2018-2, for the purpose of paying off in full and cancelling the CFD 2006-1 Bonds owned by Saybrook Bondholder. The terms and conditions of the Series 2018-1 Bonds and the Series 2018-2 Bonds are set forth in Exhibits D and E, respectively, attached hereto and further defined as set forth in this Agreement and in the 2018-1 Bond Indenture and 2018-2 Bond Indenture. Such terms and conditions may be subject to change pursuant to market conditions and/or other legal or regulatory requirements but only upon receipt of the prior written consent of the City Parties, the Landowners, and the Trustee with respect to provisions impacting to the Trustee.

ARTICLE III TIP PROCEEDING

Section 3.1 Commencement of TIP Proceeding. In contemplation of the closing of the transactions contemplated herein, the Saybrook Bondholder and the City shall consent and direct the Trustee to file a petition seeking instruction relating to the administration of a trust pursuant to Minn. Statute § 501C.0201-0208 ("TIP Proceeding") in a court of competent jurisdiction in Minnesota to (i) obtain an order authorizing and directing the Trustee to make the payments to Minority Bondholders as described in Sections 5.1 and 5.3 below; (ii) satisfy in full Matured 2006-1 Bonds owned by the Minority Bondholders pursuant to Section 8.3 of the 2006 Bond Indenture; (iii) redeem in full the Unmatured 2006-1 Bonds owned by the Minority Bondholders pursuant to Section 4.1(a) of the 2006 Bond Indenture; (iv) carry out the other actions and responsibilities of the Trustee set forth herein; and (v) take such further actions as are consistent with and reasonably necessary to effectuate the transactions contemplated by this Agreement. Once such order becomes a Final TIP Order, such order shall constitute the written notice to the Trustee of the Saybrook Bondholder and the City Parties' election to (i) pay the Minority Bondholders amounts due on the Matured 2006-1 Bonds, and (ii) redeem the Minority Bondholders' Unmatured 2006-1 Bonds maturing on or after September 1, 2018, or such other date as the City Parties and Landowners agree upon, as required pursuant to Section 4.1(a) of the 2006 Bond Indenture, each in accordance with this Agreement and the Final TIP Order. The Parties agree that it is their intent to commence the TIP Proceeding as soon as practicable.

ARTICLE IV PAYMENT OF DEFAULTED SPECIAL TAXES

Section 4.1 Scheduling Closing Date. Subject to Section 4.2 below, the Parties shall select a date to close ("Closing") the bond transactions contemplated herein ("Closing Date") that is not more than ninety (90) days following the last to occur, unless otherwise extended by the Parties, of (i) the receipt of resolutions establishing CFD 2018-1 and CFD 2018-2 and authorizing the issuance of the Series 2018 Bonds, the effectiveness of which will be subject only to the actual occurrence of the Closing Date, and (ii) the receipt of a Final TIP Order. This Agreement shall

terminate if the Closing Date has not occurred within twenty-four months of the effectiveness of this Agreement, unless otherwise extended by agreement of the Parties.

Section 4.2 Landowners Election to Pay Minority Bondholders. It is currently anticipated that the Landowners will make all required payments pursuant to Section 5.1 and 5.3 hereof in conjunction with the Closing; however, notwithstanding anything in this Article IV to the contrary, should the Landowners decide to proceed with the payment to the Minority Bondholders provided for in Sections 5.1 and 5.3 below upon receipt of a Final TIP Order but prior to the satisfaction of all closing conditions set forth in this Agreement, Landowners shall provide written notice to all other Parties regarding its election to proceed with the payments to the Minority Bondholders set forth in Sections 5.1 and 5.3 below and the date on which it intends to make such payment to the Trustee as required under Section 4.4 hereof ("Minority Holder Payment Date"), which notice shall be provided on a date no less than thirty (30) days prior to the Minority Holder Payment Date or such longer period as is required pursuant to the redemption provisions of the 2006 Bond Indenture and/or, subject to Section 4.3 below, the requirements for notice and time to calculate a prepayment pursuant to the prepayment provisions of the CFD 2006-1 RMA for a prepayment related to parcels in CFD 2006-1.

Section 4.3 Calculation of Payment Amount. Within ten (10) business days prior to the Closing Date or the Minority Holder Payment Date, as applicable, the Trustee shall calculate the amount necessary to satisfy the payments required in Sections 5.1 and 5.3 below and provide written notice to LLA (with a courtesy copy to the City) of such amount as of the Closing Date or Minority Holder Payment Date, as applicable, with wiring instructions for such payment ("Payment Instructions"). In calculating the amount of the Payment Instructions, the Trustee shall take into consideration the balance in the Special Tax Fund (as defined in the 2006 Bond Indenture) which shall be credited against the amount due from LLA; provided, however, that such calculation shall not include funds held by the Trustee in the Trustee Fee and Compliance Expense Reserve Fund Account, the Reserve Fund, and the Improvement Fund (as such accounts are defined in the 2006 Bond Indenture). Notwithstanding the provisions of the CFD 2006-1 RMA, any payment made pursuant to this Agreement that is intended to satisfy the obligations to the Minority Bondholders pursuant to Sections 5.3 of this Agreement shall be calculated pursuant to the terms hereof without regard to Section H of CFD 2006-1 RMA.

Section 4.4 Payment by Landowners. Within five (5) business days after receipt of the Payment Instructions and the Final TIP Order, LLA shall wire funds to the Trustee in the amount so stated in the Payment Instructions. The Matured 2006-1 Bonds and the Unmatured 2006-1 Bonds held by Minority Bondholders shall be deemed defeased and satisfied in full pursuant to Section 5.6 below. The payment amount received by the Trustee shall be credited against the outstanding Delinquent Special Taxes for those parcels in CFD 2006-1 owned by LLA and designated by LLA in writing and delivered to the Parties hereto on or prior to the payment required hereunder.

ARTICLE V PAYMENTS TO MINORITY BONDHOLDERS

Section 5.1 Payment of Matured 2006-1 Bonds. Pursuant to Section 8.3 of the 2006 Bond Indenture, on the Closing Date or the Minority Holder Payment Date, as applicable, the City

shall direct the Trustee to take the necessary and appropriate actions to pay Minority Bondholders the amount necessary to satisfy in full the Principal and Delinquent Interest owed on their respective Matured 2006-1 Bonds with Delinquent Interest calculated through the date of such payment to the Minority Bondholders. Payments to the Minority Bondholders shall be made through DTC.

Section 5.2 Estimated Payment Amount. For informational purposes only, as of June 30, 2018 the amounts that were due Minority Bondholders with respect to Matured 2006-1 Bonds were as follows:

MATURITY DATE (9/1)	CUSIP (51825P)	PRINCIPAL AMOUNT	DELINQUENT INTEREST AS OF 6/30/18	TOTAL PRINCIPAL AND DELINQUENT INTEREST AS OF 6/30/18
2010	AE0	\$220,000.00	\$92,099.34	\$312,099.34
2011	AF7	285,000.00	124,292.24	409,292.24
2012	AG5	355,000.00	158,996.92	513,996.92
2013	AH3	385,000.00	174,711.21	559,711.21
2014	AJ9	515,000.00	239,833.94	754,833.94
2015	AK6	125,000.00	60,465.17	185,465.17
2016	AL4	250,000.00	120,930.33	370,930.33
2017	AM2	<u>125,000.00</u>	<u>62,362.58</u>	<u>187,362.58</u>
Total		<u>\$2,260,000.00</u>	<u>\$1,033,691.73</u>	<u>\$3,293,691.73</u>

Section 5.3 Redemption of Unmatured 2006-1 Bonds. Pursuant to Section 4.1(a) of the 2006 Bond Indenture, on the Closing Date or Minority Holder Payment Date, as applicable, the Trustee shall take the necessary and appropriate actions to redeem the Unmatured 2006-1 Bonds held by the Minority Bondholders. Payment shall be made through DTC in the amount necessary to satisfy in full the outstanding Principal and Delinquent Interest owed on the Unmatured 2006-1 Bonds through the Closing Date or the Minority Holder Payment Date, as applicable. The Trustee shall provide a conditional redemption notice under the 2006 Bond Indenture to the Minority Bondholders holding Unmatured 2006-1 Bonds no later than thirty (30) days prior to the Closing Date or the Minority Holder Payment Date.

Section 5.4 Estimated Redemption Amount. For informational purposes only, as of June 30, 2018, the amounts that were due to Minority Bondholders with respect to Unmatured 2006-1 Bonds were as follows:

MATURITY DATE (9/1)	CUSIP (51825P)	PRINCIPAL AMOUNT	DELINQUENT INTEREST AS OF 6/30/18	TOTAL PRINCIPAL AND DELINQUENT INTEREST AS OF 6/30/18
2018	AN0	\$100,000.00	\$49,890.06	\$149,890.06
2020	AQ3	25,000.00	12,855.65	37,855.65
2021	AR1	760,000.00	390,811.68	1,150,811.68
2026	AS9	210,000.00	109,283.40	319,283.40
2036	AT7	<u>660,000.00</u>	<u>349,600.95</u>	<u>1,009,600.95</u>
Total		<u>\$1,755,000.00</u>	<u>\$912,441.71</u>	<u>\$2,667,441.71</u>

Section 5.5 Confirmation of Receipt of Payment for Minority Bondholders. Immediately after the receipt of the payments as described in Sections 5.1 and 5.3, Trustee shall provide written confirmation by electronic mail ("Payment Confirmation") to counsel to the City and counsel to Saybrook Bondholder that the Trustee is in receipt of sufficient funds to make the payments owed to the Minority Bondholders pursuant to the 2006 Bond Indenture and the Final TIP Order.

Section 5.6 Defeasance of 2006-1 Bonds held by Minority Bondholders. Upon Trustee's receipt of the payment amount necessary to satisfy the obligations under Section 5.1 and 5.3 hereunder, the Unmatured 2006-1 Bonds and the Matured 2006-1 Bonds held by the Minority Bondholders shall be deemed to be defeased pursuant to Section 9.1 of the 2006 Bond Indenture and the Final TIP Order, as shall be evidenced by an opinion of nationally recognized bond counsel. Upon (i) satisfaction of the conditions pursuant to Section 9.1 of the 2006 Bond Indenture and the Final TIP Order, the Unmatured 2006-1 Bonds shall be defeased, and (ii) payment of the Matured 2006-1 Bonds pursuant to Section 5.3 herein, the Saybrook Bondholder shall be the owner of all outstanding 2006-1 Bonds.

Section 5.7 Payment and Notice to DTC. On the Minority Holder Payment Date or the Closing Date, as applicable, the Trustee shall take the necessary and appropriate actions to remit the funds received pursuant to Section 4.4, plus the funds in the Special Tax Fund (as defined in the 2006 Bond Indenture) to the DTC with instructions that the funds shall be paid to the Minority Bondholders to satisfy in full all obligations owed pursuant to the 2006 Bond Indenture and the Final TIP Order. In connection therewith or as soon as practicable thereafter, Trustee shall take the necessary and appropriate steps with DTC to confirm the 2006-1 Bonds of the Minority Bondholders are marked as paid in full or defeased.

Section 5.8 Notice to Bondholders. As soon as practicable after the earlier of the commencement of the TIP Proceeding, or execution of this Agreement, the Trustee shall take the necessary and appropriate steps to organize a conference call with the Bondholders, including with notice to those known holders that agreed to participate in the AB 506 Process. In connection with

that conference call, the Trustee, City Parties, and Saybrook Parties will provide publically available information to the Bondholders concerning the Agreement and the Saybrook Bondholder and/or City Parties may ask the Minority Bondholders to approve and consent to the transactions contemplated herein by the execution and delivery of a Minority Bondholder Consent, Acknowledgment and Release and Waiver ("Minority Bondholder Acknowledgment and Waiver") in favor of the Trustee, City and CFD 2006-1 and the Saybrook Parties. Saybrook Parties and Trustee acknowledge and agree that neither the City nor the Trustee has control over whether the Minority Bondholders will execute and deliver a Minority Bondholder Acknowledgment and Waiver and that the lack of receipt of Minority Bondholder Acknowledgment and Waivers on the Closing Date or Minority Holder Payment Date, as applicable, shall not affect the making of the payments to the Minority Bondholders pursuant to Section 5.1 and 5.3 hereof.

Section 5.9 Indemnification. Landowners agree, at their sole cost and expense, to defend, indemnify, and hold harmless the City, its Council Members, the Trustee and their respective employees, agents, and consultants, from any claim, action, or proceeding brought by a third party against the City, its Council Members, the Trustee and their respective employees, agents, and consultants, which seeks to attack, set aside, challenge, void, or annul the actions concerning the redemption of Unmatured 2006-1 Bonds. The City and/or Trustee agree to promptly notify the Landowners of any such claim filed against the City and/or Trustee and to fully cooperate in the defense of any such action. The City and/or Trustee may, at its sole cost and expense, elect to participate in the defense of any such action.

ARTICLE VI ISSUANCE OF SERIES 2018 BONDS

Section 6.1 Saybrook Bondholder's Consent/Waiver. No later than five (5) business days prior to the Closing Date, Saybrook Bondholder for itself, and on behalf of its members, and their respective predecessors, successors, and assigns, shall deliver in favor of the City and CFD 2006-1 a fully executed Consent, Acknowledgment, Release and Waiver ("Acknowledgment and Waiver") with respect to the waiver, release and discharge of any and all claims, demands, causes of action, obligations, liabilities, losses, costs and expenses of every kind and nature, in equity or otherwise, known and unknown, suspected or unsuspected, and disclosed and undisclosed, arising from or relating in any way to: (a) the 2006-1 Bonds owned by the Saybrook Bondholder and 2006 Bond Indenture, (b) the receipt of Series 2018 Bonds in lieu of a cash payment to discharge the obligations of its holdings of Matured 2006-1 Bonds and Unmatured 2006-1 Bonds under the 2006 Bond Indenture, (c) the discharge and waiver by the City and CFD 2006-1 of all or any portion of the past, current or future CFD 2006-1 Special Taxes and the Delinquent Special Taxes and all penalties, interest, costs and other charges accrued thereon, that remain outstanding with respect to CFD 2006-1 Special Taxes that were levied in any fiscal year pursuant to the CFD 2006-1 RMA, (d) the dissolution of the CFD 2006-1, (e) unpaid interest and principal payments under its 2006-1 Bonds as of the Closing Date in excess of the Series 2018 Bonds it will receive (only if less than \$1,000), (f) the risk that the Series 2018-2 Bonds may not be paid in full or otherwise ever satisfied in full if the aggregate levies of the Maximum One-Time Special Tax and/or Minimum One-Time Special Tax, as applicable, are insufficient to pay-off the Series 2018-2 Bonds in full, or if the parcels/lots owned by LLA cannot be sold to an unrelated third-party, and (g) the special tax formula in the CFD 2018-2 RMA with respect to the Maximum One-Time Special Tax and Minimum One-Time Special Tax for the Series 2018-2 Bonds.

Section 6.2 Suppression and DWAC of 2006-1 Bond Holdings. Saybrook Bondholder shall take the necessary and appropriate steps in sufficient time prior to the Closing Date or the Minority Holder Payment Date, as applicable, to (i) suppress its position of 2006-1 Bonds with DTC such that it will not receive any of the payments otherwise due the Minority Bondholders pursuant to sections 5.1 and 5.3 hereof; and (ii) cause Saybrook Bondholder's custodian, through its back office, to submit a request to DTC to withdraw Saybrook Bondholder's position of 2006-1 Bonds (known as a Deposit Withdraw at Custodian or "DWAC").

Section 6.3 Instruction to Deliver Series 2018 Bonds. After receipt of the Acknowledgment and Waiver, City shall instruct Trustee to deliver Saybrook Bondholder the Series 2018-1 Bonds and the Series 2018-2 Bonds in full and complete satisfaction and in exchange for the 2006-1 Bonds owned by Saybrook Bondholder as of the Closing Date.

Section 6.4 Delivery of Series 2018 Bonds. After receipt of Saybrook Bondholder's 2006-1 Bonds and City's instruction pursuant to Section 6.3, on the Closing Date, Trustee shall approve and confirm Saybrook Bondholder's 2006-1 Bond position, cancel Saybrook Bondholder's 2006-1 Bonds, and deliver Saybrook Bondholder its new holdings of Series 2018-1 Bonds and Series 2018-2 Bonds, in certificated form.

Section 6.5 Saybrook Bondholder Representations and Covenants. Saybrook Bondholder hereby represents, warrants and covenants that: (a) it is a sophisticated investor, (b) it will provide written notice to the City when it begins to offer for sale any of its Series 2018-2 Bonds, (c) it will provide written notice to the City of any pending sale(s) of the Series 2018-2 Bonds and disclose the principal amount being sold, (d) it will not sell any Series 2018-2 Bonds to anyone other than an Accredited Investor, (e) it will provide the City with demonstrative evidence that the purchaser of any of its Series 2018-2 Bonds is an accredited investor, and (f) in connection with any sale of any Series 2018-1 Bonds or Series 2018-2 Bonds by Saybrook Bondholder or any affiliate, Saybrook Bondholder or the applicable affiliate shall not make any material misstatement or omission in connection with such sale.

Section 6.6 Disclosure Indemnification. Saybrook Bondholder agrees, at its sole cost and expense, to defend, indemnify and hold harmless the City, its employees, agents and Council Members ("City Indemnitees"), for all reasonable costs, fees, and settlement amounts, incurred by such City Indemnitees related to any claim, action, or proceeding brought within the first five years from the date of issuance of the Series 2018-1 and 2018-2 Bonds by a third party that was or is a bondholder of the Series 2018-1 or 2018-2 bonds against the City Indemnitees solely relating to or alleging any state or federal securities law violations as a direct result of any alleged material misstatement or omission made by the Saybrook Bondholder, or an affiliate entity, to any transferee of any Series 2018-1 or Series 2018-2 Bonds in conjunction with such sale or other transfer of the Series 2018-1 Bonds or 2018-2 Bonds to such transferee. The City agrees to promptly notify the Saybrook Bondholder of any such claim filed against the City Indemnitees and to cooperate in the defense of any such action. The City may, at its sole cost and expense, elect to participate in the defense of any City Indemnitee in any such action.

ARTICLE VII
DISSOLUTION OF CFD 2006-1 AND RELATED ACTIONS

Section 7.1 Dissolution and Waiver of Delinquent Special Taxes. As part of the Closing, after (a) defeasance of the Unmatured 2006-1 Bonds held by the Minority Bondholders, (b) the payment of the Matured 2006-1 Bonds held by the Minority Bondholders, and (c) the issuance of the Series 2018 Bonds to Saybrook Bondholder, the City shall cause a Notice of Cessation of Special Tax Lien with respect to CFD 2006-1 to be recorded against all the property within CFD 2006-1 because, at such time, the obligations to pay the special taxes for CFD 2006-1 will have ceased since the obligations issued by CFD 2006-1 will have been fully satisfied. Lathrop City Council shall approve by resolution to be effective upon the Closing Date, (i) the dissolution of CFD 2006-1, (ii) the cancellation, waiver and discharge of all or any portion of the current or future CFD 2006-1 Special Taxes and Delinquent Special Taxes arising pursuant to the CFD 2006-1 RMA and all penalties, interest, costs and other charges accrued thereon, that remain outstanding through the Closing Date with respect to CFD 2006-1 Special Taxes levied under the CFD 2006-1 RMA against parcels that are subject to the lien of CFD 2006-1 and which are listed on Exhibit F hereto (which Exhibit may be amended or updated by the Parties hereto to include any parcels owned by Landowners as of the date of Closing), hereto, and (iii) the release of the lien on all parcels in CFD 2006-1 and the recording of the Notice of Cessation of Special Tax with respect to all parcels in CFD 2006-1.

Section 7.2 Release by Saybrook Bondholder. In consideration for the promises and covenants contained herein, upon the occurrence of the Closing, Saybrook Bondholder for itself, and on behalf of its members, predecessors, successors, and assigns, hereby, fully and forever, releases, acquits and discharges the Trustee and the Landowners and their respective predecessors, successors and assigns, from any and all claims, demands, causes of action, obligations, liabilities, losses, costs and expenses of every kind and nature, in equity or otherwise, known and unknown, suspected or unsuspected, and disclosed and undisclosed, arising from or relating in any way to (a) the 2006-1 Bonds, (b) the 2006 Bond Indenture, (c) the receipt of Series 2018 Bonds in lieu of a cash payment to discharge the obligations of its holding of Matured 2006-1 Bonds and Unmatured 2006-1 Bonds under the 2006 Bond Indenture, (d) the discharge and waiver by the City and CFD 2006-1 of all or any portion of the past, current or future CFD 2006-1 Special Taxes and the Delinquent Special Taxes and all penalties, interest, costs and other charges accrued thereon that remain outstanding with respect to CFD 2006-1 Special Taxes that were levied in any fiscal year pursuant to CFD 2006-1 RMA and the dissolution of CFD 2006-1, and (e) unpaid interest and principal payments under its 2006-1 Bonds as of the Closing Date in excess of the Series 2018 Bonds it will receive (only if less than \$1,000).

Section 7.3 Cancellation of 2006 Bond Indenture. As part of the Closing, the City and Trustee shall execute and deliver the requisite documents cancelling the 2006 Bond Indenture. All funds remaining in the Improvement Fund, the Reserve Fund, and the Trustee Fee and Compliance Expense Reserve Fund Account (after payment to Trustee of all of its costs and attorney's fees therefrom) shall be transferred and deposited into the account designated as the Reserve Fund for the Series 2018-1 Bonds issued for Improvement Area 1 under the 2018-1 Bond Indenture governing the Series 2018-1 Bonds, or as otherwise required to maintain the tax exemption on the 2018-1 Bonds.

Section 7.4 Pending Foreclosure Litigation and Judgments. On the Closing, or as soon as practicable thereafter, and in any event, from and after the Closing, immediately upon the request of the Landowners, City shall take the necessary appropriate actions to (i) dismiss any Foreclosure Litigation action in which a judgment has yet to be entered, (ii) record Acknowledgments of Release/Satisfaction of Judgments with respect to all Foreclosure Litigation actions where a judgment has been entered by the State Court, (iii) file withdrawals of notice of pendency of actions related to any Foreclosure Litigation actions, if any, and (iv) cancel any pending Sheriff sales with respect to any Foreclosure Litigation.

ARTICLE VIII GENERAL PROVISIONS

Section 8.1 Transaction Costs. Landowners shall be responsible for paying in full, in accordance with and pursuant to the terms of the Deposit Agreement: (i) the City's costs, including those of its professionals, in connection with the transactions contemplated herein, (ii) the Trustee's costs, including those of its professionals (other than amounts paid to the Trustee and its consultants and advisors from accounts held under the 2006 Bond Indenture), and (iii) the City's outside foreclosure counsel (other than amounts paid to outside foreclosure counsel from accounts held under the 2006 Bond Indenture). As part of the Closing, the City, the Trustee and their respective professionals shall prepare and deliver fee and cost statements through the Closing Date (with an estimate for the period of time from the date of the statement to the closing date), which amounts shall be paid by Landowners at Closing. The Deposit Agreement shall stay in effect post-Closing for 30 days to cover any and all actual costs and expenses incurred by the City and the Trustee, and their respective attorneys, agents and consultants subsequent to the Closing in connection with the transactions contemplated under this Agreement.

Section 8.2 Extraordinary Administrative Deposit. Simultaneously with the Closing, the Landowners shall deliver to the Trustee the Extraordinary Administrative Deposit ("Extraordinary Administrative Deposit"), which the City shall cause to be deposited under the 2018-1 Indenture in the Administrative Expense Reserve Fund, to be used to pay: (i) the fees and expenses of any attorneys or consultants employed by the City in connection with litigation involving CFD 2018-1 and/or CFD 2018-2, including, without limitation, foreclosure litigation, (ii) the costs of publication of notices to owners of the Series 2018-1 Bonds and 2018-2 Bonds, (iii) any and all actual costs and expenses incurred by the City in connection with a default arising under the Series 2018-1 Bonds and the Series 2018-2 Bonds, and (iv) any litigation arising from or relating to the sale of Series 2018 Bonds by the Saybrook Bondholder. The Indenture shall provide that so long as the amount in the Administrative Expense Reserve Fund is equal to the Administrative Reserve Requirement (as defined in the 2018-1 Indenture (which amount is \$200,000)), the Landowners (or designee) will be reimbursed from the levy and collection of special taxes of CFD 2018-1, provided the levy of Special Taxes for such given year is sufficient to fund the Administrative Expense Reserve Fund in the same amount for such year. Based upon the levy and payment of the maximum special taxes for CFD 2018-1 for the next three years, it is anticipated that the Landowners will receive reimbursements in the approximate amounts as follows: for Improvement Areas 1-4, \$27,500 in the first fiscal year of the special tax levy and \$12,500 in the second fiscal year of the special tax levy, and for Improvement Area 5, \$17,500 per year for the first two fiscal years of special tax levy and \$5,000 for the third year of the special tax levy. To the extent money remains in the Administrative Expense Reserve Fund in the year prior

to the final year of levy of special taxes in CFD 2018-1, such amount shall be credited against the special tax levy necessary to finally pay the remaining Series CFD 2018-1 Bonds.

Section 8.3 Cooperation; Additional Documents. Each Party acknowledges that it may be necessary to execute documents other than those specifically referred to herein in order to complete the transactions contemplated by this Agreement. Therefore, the Parties each hereby agree to reasonably cooperate with each other by the execution of such other documents or the taking of such other action as may be reasonably necessary to complete the transactions in accordance with the intent of the Parties as evidenced in this Agreement.

Section 8.4 Change in Ownership; Assignment. Except as otherwise set forth in this Agreement, prior to the Closing Date, the Landowners and Saybrook Bondholder shall not assign all or any part of this Agreement or any interest therein, or transfer any portion of their respective interests in their properties or 2006-1 Bonds, without the prior written approval of the City; provided, however, that without approval from the City: (i) the Landowners may sell their property located in CFD 2006-1 to an affiliate who assumes in writing the obligations of the transferor Landowner hereunder; and (ii) Saybrook Bondholder may at any time sell or transfer some or all of its 2006-1 Bonds to (X) an affiliate or (Y) an unrelated third party so long as (A) in the event only some of its 2006-1 Bonds are sold or transferred prior to the receipt of the Payment Confirmation, then such sold or transferred 2006-1 Bonds shall be deemed to be held by a Minority Holder and Sections 5.1 and 5.3 shall apply to such bonds or (B) in the event some or all of the 2006-1 Bonds are sold or transferred after the receipt of the Payment Confirmation, then such transferee Bondholder shall be required to consent to the terms of this Agreement and shall assume in writing all obligations of the Saybrook Bondholder with respect to such transferred or purchased 2006-1 Bonds, unless otherwise agreed by the Parties hereto and the transferee bondholder. In no event shall the City provide written approval (if required hereunder) unless such assignee or transferee shall assume all of the obligations of its assignor or transferor with regard to the portion(s) of the Agreement so assigned or transferred, and shall deliver written evidence of such assumption in a form reasonably satisfactory to the City. Approvals of the City required by this Section shall not be unreasonably withheld, conditioned or delayed.

Section 8.5 No Third Party Beneficiary. No person or entity shall acquire any rights or benefits as a third party beneficiary under this Agreement.

Section 8.6 Notice and Communications Between the Parties. Any notice which a Party is required or may desire to give another Party shall be in writing and may be delivered (a) personally, (b) by United States registered or certified mail, postage prepaid, (c) by Federal Express or other reputable courier service regularly providing evidence of delivery (with charges paid by the Party sending the notice), or (d) by PDF or similar attachment to an email, provided that such email attachment shall be followed within one (1) business day by delivery of such notice pursuant to clause (a), (b) or (c) above. Any such notice to a Party shall be addressed at the address set forth below (subject to the right of a Party to designate a different address for itself by notice similarly given). Service of any such notice or other communications so made shall be deemed effective on the day of actual delivery (whether accepted or refused) as evidenced by printed confirmation if by email attachment (provided that if any notice or other communication to be delivered by email attachment as provided above cannot be transmitted because of a problem affecting the receiving Party's computer, the deadline for receiving such notice or other

communication shall be extended through the next business day), as shown by the addressee's return receipt if by certified mail, and as confirmed by the courier service if by courier; provided, however, that if such actual delivery occurs after 5:00 p.m. (local time where received) or on a non-business day, then such notice or communication so made shall be deemed effective on the first business day after the day of actual delivery. Except as expressly provided above, no communications via electronic mail shall be effective to give any notice, request, direction, demand, consent, waiver, approval or other communications hereunder.

To City Parties: City of Lathrop
390 Towne Centre, Suite 1
Lathrop, CA 95330
Attention: City Manager
Email: ssalvatore@ci.lathrop.ca.us

with a copy to: City of Lathrop
390 Towne Centre, Suite 1
Lathrop, CA 95330
Attention: City Attorney
Email: snavarrete@ci.lathrop.ca.us

and: Debra A. Riley, Esq.
Allen Matkins Leck Gamble
Mallory & Natsis LLP
One America Plaza
600 West Broadway, 27th Floor
San Diego, CA 92101
Email: driley@allenmatkins.com

To Saybrook Parties: Jeffrey M. Wilson
Saybrook CLSP, LLC
303 Twin Dolphin Drive, Suite 600
Redwood Shores, CA 94065
Email: jwilson@saybrookfundadvisors.com

Jeffrey M. Wilson
Lathrop Land Acquisition, LLC
303 Twin Dolphin Drive, Suite 600
Redwood Shores, CA 94065
Email: jwilson@saybrookfundadvisors.com

Jeffrey M. Wilson
Lathrop Acquisition, LLC
303 Twin Dolphin Drive, Suite 600
Redwood Shores, CA 94065
Email: jwilson@saybrookfundadvisors.com

with a copy to: Anna Rienhardt, Esq.
Latham & Watkins LLP
355 South Grand Avenue, Suite 100
Los Angeles, CA 90071-1560
Email: Anna.Rienhardt@lw.com

To: Trustee Gavin Wilkinson
UMB Bank
120 South Sixth Street, Suite 1400
Minneapolis, MN 55402
Email: gavin.wilkinson@umb.com

with a copy to: Adrienne Walker, Esq
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo
One Financial Center
Boston, MA 02111
Email: akwalker@mintz.com

Section 8.7 Nonliability of Officials and Employees of City. No Council Member, official or employee of the City shall be personally liable to the Landowners, Saybrook Bondholder or any of their affiliates or successors in interest, in the event of any default or breach of this Agreement by the City or on any obligation under the terms of this Agreement.

Section 8.8 Representations of Parties in Favor of City. Each Party hereby represents the following to the City for the purpose of inducing the City to enter into this Agreement and to consummate the transactions contemplated hereby, all of which shall be true as of the date hereof:

(a) Each Party has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein to which each Party is a party, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

(b) All requisite action has been taken by each Party, and all requisite consents have been obtained in connection with entering into this Agreement and the instruments and documents referenced herein to which each Party is a party, and the consummation of the transaction contemplated hereby complies with all applicable laws, statutes, ordinances, rules and governmental regulations.

(c) This Agreement is duly executed by each Party and is valid and legally binding upon each Party and enforceable in accordance with its terms.

(d) The execution and delivery of this Agreement by each Party shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which each Party is a party.

Section 8.9 City Authorization. The City has the legal power, right and authority to act on behalf of itself and CFD 2006-1, and enter into this Agreement and to consummate the transactions contemplated hereby. The individuals executing this Agreement on behalf of the City have the legal power, right and actual authority to bind the City and CFD 2006-1 to the terms and conditions of this Agreement. Lathrop City Council hereby authorizes and directs the City Manager, or his/her designee, to execute any and all documents necessary to complete the transactions contemplated in this Agreement. Lathrop City Council also authorizes and directs the City Manager to make such minor modifications to or other modifications permitted pursuant to the terms of this Agreement as he/she determines are necessary to effectuate the purpose and intent of this Agreement upon consultation with legal counsel.

Section 8.10 Modification of Agreement. Except as otherwise specifically noted in this Agreement, this Agreement may not be modified, changed, or supplemented, nor may any obligations hereunder be waived, except by written instrument signed by all Parties.

Section 8.11 Relationship of the Parties. Nothing contained in this Agreement shall be deemed or construed as creating a partnership, joint venture, or any other relationship between the Parties hereto other than as expressly specified in the provisions contained herein.

Section 8.12 Interpretation of Agreement. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters addressed in this Agreement. In addition, each Party has been given the opportunity to consult with experienced and knowledgeable legal counsel. Accordingly, any rule of law (including Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the Party that has drafted it is not applicable and is hereby waived by the Parties. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purpose and intent of the Parties to this Agreement.

Section 8.13 Entire Agreement; Exhibits. This Agreement and the seven (7) Exhibits, each of which is incorporated herein by this reference, constitute the entire understanding and agreement of the Parties pertaining to the subject matter hereof. The Exhibits are as follows:

Exhibit A	Boundary Map (with Improvement Areas)
Exhibit B	CFD 2018-1 RMAs
Exhibit C	CFD 2018-2 RMA
Exhibit D	Terms of the Series 2018-1 Bonds
Exhibit E	Terms of the Series 2018-2 Bonds
Exhibit F	Special Tax Waiver Parcels

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements, including term sheets, between the Parties with respect to all or any part of the subject matter hereof.

Section 8.14 Term. Upon execution of all Parties, this Agreement shall become effective on the date first written above, which shall be deemed the "date of this Agreement" for all purposes herein. This Agreement shall remain effective until the date on which all of the covenants herein provided are fully performed, satisfied or waived, unless this Agreement is terminated in accordance with Section 4.1 herein.

Section 8.15 Governing Law. This Agreement shall be governed by, interpreted under, construed and enforced in accordance with the laws of the State of California (without regard to conflicts of laws).

Section 8.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. The delivery of an executed counterpart of this Agreement by PDF or similar attachment to an email shall constitute effective delivery of such counterpart for all purposes with the same force and effect as the delivery of an original, executed counterpart.

[SIGNATURES ON FOLLOWING PAGES]

CITY PARTIES:

CITY OF LATHROP, a California general law
city, for and on behalf of itself and
COMMUNITY FACILITIES DISTRICT
NO. 2006-1

By: _____
Stephen Salvatore, City Manager

APPROVED AS TO FORM:

By: _____
Salvador V. Navarrete, City Attorney

SAYBROOK PARTIES:

SAYBROOK CLSP, LLC,
a Delaware limited liability company

By: Saybrook Fund Investors, LLC,
its managing member

By: _____
Jeffrey M. Wilson

LATHROP LAND ACQUISITION, LLC,
a Delaware limited liability company

By: Saybrook Fund Investors, LLC,
its managing member

By: _____
Jeffrey M. Wilson

LATHROP ACQUISITION LLC,
a Delaware limited liability company

By: Saybrook Fund Investors, LLC,
its managing member

By: _____
Jeffrey M. Wilson

TRUSTEE:

UMB BANK, National Association, not
individually, but solely in its capacity as
trustee as Trustee

By: _____
Gavin Wilkinson

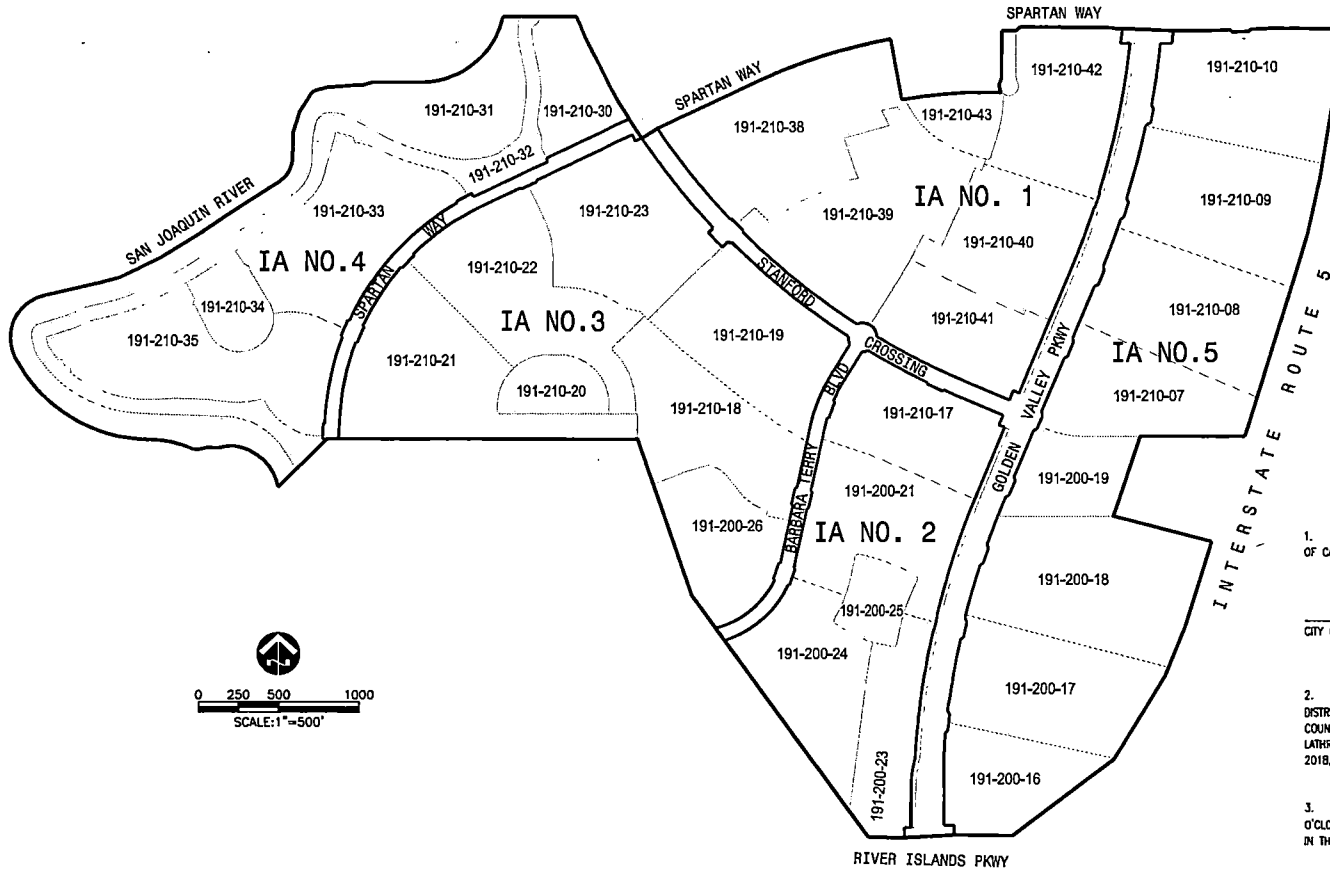
Title: _____

EXHIBIT A

BOUNDARY MAP FOR CFD 2018-1 AND CFD 2018-2

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES
DISTRICT NO. 2018-01
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES
AND IMPROVEMENT AREAS)

CITY OF LATHROP
COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA
JULY, 2018



1. FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA THIS _____ DAY OF _____, 2018

CITY CLERK, CITY OF LATHROP

2. I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2018-01 (CENTRAL LATHROP SPECIFIC PLAN PHASE 1 INFRASTRUCTURE) CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LATHROP, AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2018, BY ITS RESOLUTION NO. _____

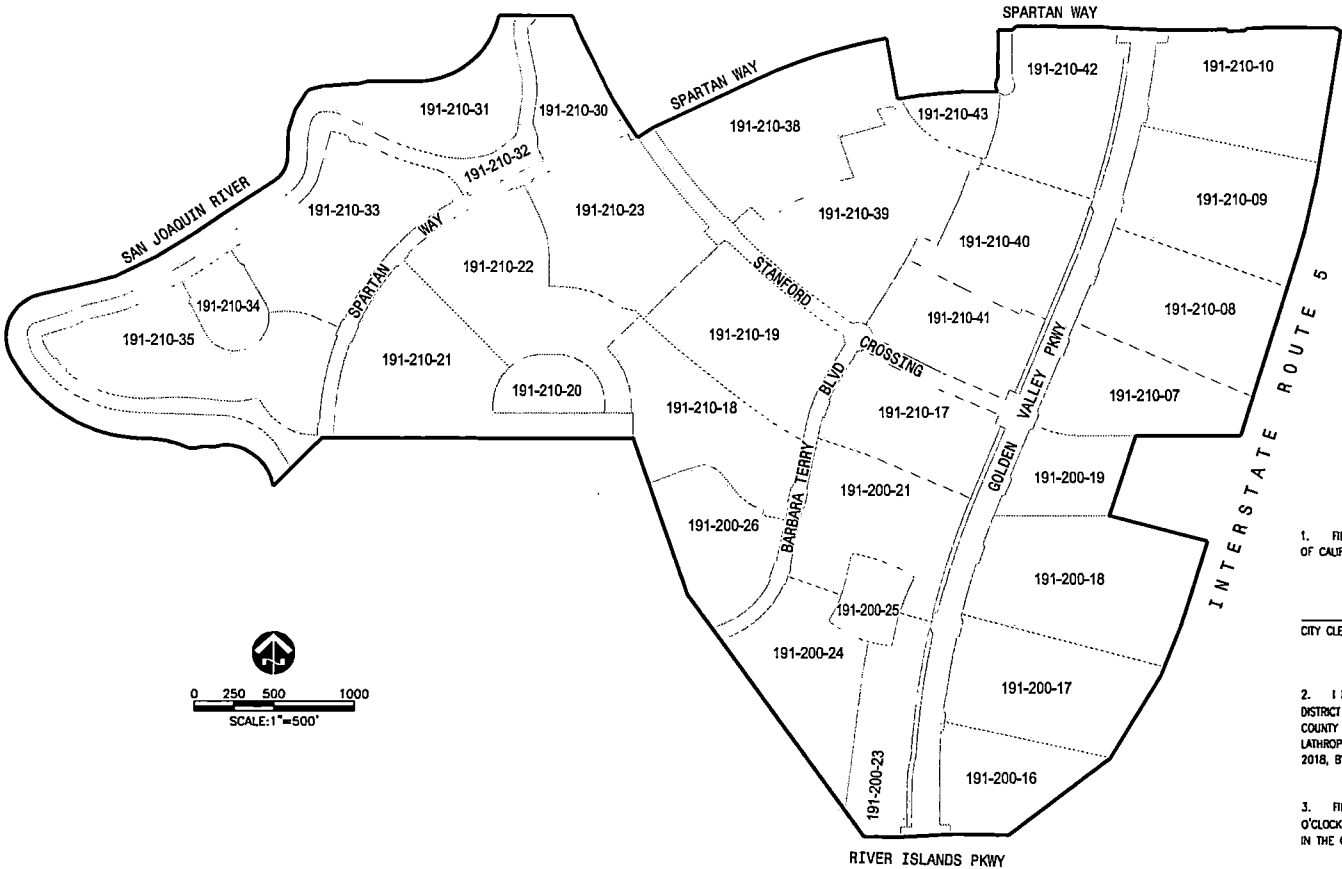
3. FILED THIS _____ DAY OF _____, 2018 AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

COUNTY RECORDER, COUNTY OF SAN JOAQUIN

Mackay & Somp
ENGINEERS PLANNERS SURVEYORS
31423 FRANKLIN DR. PLEASANTON, CA 94568 (925) 723-0920

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES
 DISTRICT NO. 2018-02
 (CENTRAL LATHROP SPECIFIC PLAN FACILITIES)

CITY OF LATHROP
 COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA
 JULY, 2018



1. FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA THIS _____ DAY OF _____, 2018

CITY CLERK, CITY OF LATHROP

2. I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2018-02 (CENTRAL LATHROP SPECIFIC PLAN PHASE 1 INFRASTRUCTURE) CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LATHROP, AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2018, BY ITS RESOLUTION NO. _____

3. FILED THIS _____ DAY OF _____, 2018 AT THE HOUR OF _____ O'CLOCK _____M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

COUNTY RECORDER, COUNTY OF SAN JOAQUIN

MACKAY & SOMPS
 ENGINEERS PLANNERS SURVEYORS
 31426 FRANKEN DR. PLEASANTON, CA 94588 (925)227-3600

EXHIBIT B
CFD 2018-1 RMA_s

**IMPROVEMENT AREA NO. 1 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 1 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 1 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 1 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 1 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 1 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 1. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 1” means Improvement Area No. 1 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 1 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 1 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 1 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 1 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 1 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 1, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 1, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 1.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 1 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 1 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 1.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 1, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 1 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 1, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 1 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 1 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 1, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 1 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 1.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 1, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 1 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 1 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #1 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-210-38	22.9	Residential	\$9,680	\$221,672
191-210-39	22.7	Residential	\$9,680	\$219,736
191-210-40	15.2	Residential	\$9,680	\$147,136
191-210-41	12.3	Residential	\$9,680	\$119,064
191-210-42	16.3	Residential	\$9,680	\$157,784
191-210-43	4.1	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$865,392

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

**IMPROVEMENT AREA NO. 2 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 2 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 2, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 2 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 2 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 2 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 2 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 2. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 2” means Improvement Area No. 2 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 2 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 2 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 2 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 2 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 2, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 2, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 2.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 2 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 2 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 2.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 2, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 2 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 2, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 2 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 2 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 2 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 2, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 2 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 2.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 2, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 2 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 2 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #2 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-21	17.0	Residential	\$9,680	\$164,560
191-200-23	10.8	Residential	\$9,680	\$104,544
191-200-24	15.3	Residential	\$9,680	\$148,104
191-210-17	13.7	Residential	\$9,680	\$132,616
191-200-25	4.5	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$549,824

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

**IMPROVEMENT AREA NO. 3 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 3 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 3, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 3 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 3 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 3 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 3 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 3. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 3” means Improvement Area No. 3 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 3 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 3 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 3 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 3 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 3 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 3, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 3, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 3.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 3 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 3 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 3.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 3, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 3 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 3, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 3 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 3 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 3 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 3, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 3 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 3.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 3, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 3 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 3 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

**Attachment 1
Improvement Area #3 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)**

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-26	12.2	Residential	\$9,680	\$118,096
191-210-18	16.8	Residential	\$9,680	\$162,624
191-210-19	18.0	Residential	\$9,680	\$174,240
191-210-21	22.5	Residential	\$9,680	\$217,800
191-210-22	20.9	Residential	\$9,680	\$202,312
191-210-23	19.5	Residential	\$9,680	\$188,760
191-210-20	5.1	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$1,063,832

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

**IMPROVEMENT AREA NO. 4 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 4 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 4, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 4 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 4 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 4 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 4 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 4. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 4” means Improvement Area No. 4 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 4 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 4 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 4 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 4 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 4 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 4, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 4, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 4.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 4 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 4 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 4.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 4, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 4 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 4, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 4 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 4 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 4 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 4, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 4 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 4.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 4, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 4 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 4 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #4 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-210-33	19.5	Residential	\$9,680	\$188,760
191-210-35	20.6	Residential	\$9,680	\$199,408
191-210-30	7.8	Pond/Sprayfield	\$0	\$0
191-210-31	28.5	Public (Park)	\$0	\$0
191-210-32	16.4	Public	\$0	\$0
191-210-34	5.0	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$388,168

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

**IMPROVEMENT AREA NO. 5 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 5 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 5, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 5 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Accessory Unit” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“Acre” or **“Acreage”** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 5 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 5 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 5 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 5. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 5” means Improvement Area No. 5 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 5 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 5 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 5 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 5 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 5 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 5, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 5, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 5.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 5 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 5 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 5.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 5, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 5 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 5, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 5 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 5 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 5 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 5, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 5 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 5.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 5, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 5 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 5 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #5 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-16	11.2	Non-Residential	\$4,000	\$44,800
191-200-17	18.3	Non-Residential	\$4,000	\$73,200
191-200-18	24.3	Non-Residential	\$4,000	\$97,200
191-210-10	19.0	Non-Residential	\$4,000	\$76,000
191-200-19	8.4	Pond/Sprayfield	\$0	\$0
191-210-07	14.4	Pond/Sprayfield	\$0	\$0
191-210-08	18.6	Pond/Sprayfield	\$0	\$0
191-210-09	19.5	Pond/Sprayfield	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$291,200

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT C
CFD 2018-2 RMA

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

Special Taxes applicable to each Assessor's Parcel in the City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2018-2, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. 2018-2 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or **"Acreage"** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any One-Time Special Tax Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2018-2 and the One-Time Special Tax Bonds related thereto, including, but not limited to, the levy and collection of One-Time Special Taxes, the fees and expenses of its counsel, amounts needed to pay rebate to the federal government with respect to One-Time Special Tax Bonds, costs associated with complying with continuing disclosure requirements with respect to the One-Time Special Tax Bonds and the One-Time Special Taxes, costs of recording any notices to evidence payment of the One-Time Special Taxes, and all other costs and expenses of the City and County in any way related to administration of the CFD including any costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

"Administrator" means the person or firm designated by the City to administer the One-Time Special Taxes according to this RMA.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within CFD No. 2018-2 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“CFD” or “CFD No. 2018-2” means the City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-2 was adopted by the City Council.

“CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD No. 2018-1 Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by special tax revenues generated from any of the improvement areas within CFD No. 2018-1.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Defaulted Parcel” means any Parcel of Taxable Property that is delinquent in payment of one or more installments of CFD No. 2018-1 special taxes at the time of an Event of Default.

“Event of Default” means, as to any Parcel, failure of such Parcel to pay any special tax of CFD No. 2018-1 when due.

“Final Levy Date” means the date that is 60 days prior to 10 years from the date of issuance of the CFD No. 2018-2 Bonds.

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

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

“Master Developer” means Lathrop Land Acquisition, LLC and any related entities, successors, or assigns.

“Net Proceeds” means, for a Parcel of Taxable Property, the sales price of such Parcel pursuant to a purchase/sale agreement between the Master Developer and an unrelated entity, less the sum of: (i) broker commissions paid to an entity unrelated to the seller, (ii) pro-rated ad valorem taxes, (iii) escrow fees and closing costs, (iv) the amount required to clear encumbrances recorded on title prior to CFD Formation, excluding non-monetary easements, agreements, covenants and restrictions customarily running with the land, as approved by the Administrator, (v) for the first 601 Residential Lots sold in the CFD, \$6,527.19 per Residential Lot on such Parcel and (vi) a share of Administrative Expenses, as determined by the Administrator.

“One-Time Special Tax” means either the One-Time Special Tax A or One-Time Special Tax B.

“One-Time Special Taxes” means both the One-Time Special Tax A and One-Time Special Tax B.

“One-Time Special Tax A” means a special tax that is (i) levied at close of escrow of a sale of a Parcel of Taxable Property pursuant to Sections C.1 and D.1 below, and (ii) used to pay One-Time Special Tax Bonds.

“One-Time Special Tax B” means a special tax that is (i) levied upon the occurrence of an Event of Default pursuant to Sections C.2 and D.2 below, and (ii) used to pay One-Time Special Tax Bonds.

“One-Time Special Tax Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are at least partially secured by revenues from the One-Time Special Taxes.

“Outstanding One-Time Special Tax Bonds” means all Previously Issued One-Time Special Tax Bonds which remain outstanding, with the following exception: if a One-Time Special Tax has been paid by an Assessor’s Parcel, and a portion of the One-Time Special Tax will be used to redeem principal of the One-Time Special Tax Bonds (as determined by the Administrator), that anticipated redemption of principal shall not be counted in the total amount of Outstanding One-Time Special Tax Bonds.

“Previously Issued One-Time Special Tax Bonds” means all One-Time Special Tax Bonds that have been issued prior to the occurrence of an Event of Default.

“Public Property” means any property within the boundaries of CFD No. 2018-2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Residential Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a residential unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map. For the purposes of this RMA, a Residential Lot may also be an individual residential lot that is anticipated to be created on a Parcel of Taxable Property in the future.

“RMA” means this Rate and Method of Apportionment of Special Taxes.

“Taxable Property” means, in any Fiscal Year, all Parcels within CFD No. 2018-2 that (i) are not exempt from the One-Time Special Taxes pursuant to law or Section F below, (ii) were owned by the Master Developer at CFD Formation, (iii) have been sold or are expected to be sold to an entity that is unrelated to the Master Developer, and (iv) have not previously paid a One-Time Special Tax, all as determined by the City.

B. DATA FOR ADMINISTRATION OF SPECIAL TAXES

1. One-Time Special Tax A

Upon notification of a pending sale of Taxable Property, the Administrator shall identify (i) the current Assessor’s Parcel numbers for the Taxable Property being sold, and (ii) the Net Proceeds anticipated to be generated from each Parcel. The Administrator may rely upon any reasonable source of information to make the determinations required in this Section B.1, including, but not limited to: the Master Developer or escrow agent involved in a sale of Taxable Property or the City.

2. One-Time Special Tax B

On an ongoing basis, the Administrator shall monitor payments of the Series 2018-1 Bonds to determine whether an Event of Default has occurred. Upon the occurrence of an Event of Default or on the Final Levy Date, the Administrator shall identify (i) the current Assessor’s Parcel Numbers and Acreage of each Defaulted Parcel, (ii) the total Acreage of Taxable Property remaining in CFD No. 2018-2, which shall not include the Acreage of any Parcel or portion thereof that previously paid a One-Time Special Tax, and (iii) the amount of Outstanding One-Time Special Tax Bonds. The Administrator may rely upon any reasonable source of information to make the determinations required in this Section B.2, including, but not limited to: the trustee(s) of the CFD No. 2018-1 Bonds, the City, or the County Tax Collector’s Office.

C. ONE-TIME SPECIAL TAXES

1. One-Time Special Tax A

The One-Time Special Tax A for a Parcel of Taxable Property in CFD No. 2018-2 shall be equal to the Net Proceeds from the sale of the Parcel.

2. One-Time Special Tax B

As of the date of the most recent Event of Default and on the Final Levy Date, the One-Time Special Tax B for each Defaulted Parcel shall be determined by application of the following steps:

- Step 1:** Determine the total Acreage of the Defaulted Parcel.
- Step 2:** Divide the Acreage determined in Step 1 by the total Acreage of Taxable Property remaining in CFD No. 2018-2.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding One-Time Special Tax Bonds.
- Step 4:** Determine the total amount of Administrative Expenses to be collected. If the One-Time Special Tax B is being levied simultaneously on more than one Defaulted Parcel, this amount shall be divided between each Defaulted Parcel based on the relative Acreage of each Defaulted Parcel.
- Step 5:** The One-Time Special Tax B is equal to the sum of the amounts computed pursuant to Steps 3 and 4.

D. METHOD OF LEVY OF THE ONE-TIME SPECIAL TAXES

1. One-Time Special Tax A

Upon notification of a pending sale of one or more Parcels of Taxable Property, the Administrator shall determine the Net Proceeds anticipated to be generated from each Parcel. The One-Time Special Tax A shall then be levied separately on each Parcel to be sold.

2. One-Time Special Tax B

Upon the occurrence of an Event of Default, the Administrator shall determine which Parcels of Taxable Property are Defaulted Parcels. The One-Time Special Tax B shall then be levied separately on each Defaulted Parcel.

On the Final Levy Date, the Administrator shall determine which Parcels of Taxable Property have not previously paid a One-Time Special Tax. The One-Time Special Tax B shall then be levied separately on each such Parcel.

E. MANNER OF COLLECTION OF SPECIAL TAXES

1. One-Time Special Tax A

The One-Time Special Tax A shall be levied at the close of escrow of a sale of a Parcel of Taxable Property and shall be due and payable immediately. Upon payment in full of the One-Time Special Tax A for a given Parcel, the Administrator shall record, or cause to be recorded, a Notice of Cancellation of Special Tax Lien against the Parcel to reflect the discharge of the Parcel's obligation to pay both the One-Time Special Tax A and the One-Time Special Tax B.

2. One-Time Special Tax B

The One-Time Special Tax B shall be levied at the time of an Event of Default and upon the Final Levy Date, as soon as the determinations required in Sections C.2 and D.2 above can be made. The One-Time Special Tax B shall be levied by means of a One-Time Special Tax B bill sent directly to the owner of the Parcel via overnight mail, with a copy sent to the City. The One-Time Special Tax B bill shall be due and payable 30 days from the date of delivery. The One-Time Special Tax B shall have the same priority and bear the same penalties and interest after delinquency as do ad valorem property taxes. Upon payment in full of a One-Time Special Tax B for a given Parcel, the Administrator shall record a Notice of Cancellation of Special Tax Lien against the Parcel to reflect the discharge of the Parcel's obligation to pay both the One-Time Special Tax A and the One-Time Special Tax B.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, the One-Time Special Taxes shall not be levied on Public Property in CFD No. 2018-2. In addition, neither of the One-Time Special Taxes shall be levied on Parcels, or portions of Parcels, that have already paid one of the One-Time Special Taxes in a previous land sale or Event of Default.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the One-Time Special Taxes, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as such correction does not materially affect the levy and collection of the One-Time Special Taxes and any security for the One-Time Special Tax Bonds. The City, upon the request of an owner of land within the CFD which is Taxable Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the One-Time Special Taxes that can be collected from the Parcel.

EXHIBIT D

TERMS OF SERIES 2018-1 BONDS

1. No PPM will be utilized.
2. Bonds will be separately issued for each Improvement Area, no cross collateralization.
3. \$5,000 denominations.
4. Interest rate and maturities to be agreed to by the Parties.
5. Customary call provisions.
6. Series 2018-1 Bonds, in specific series for each Improvement Area to reflect the value assigned to each of the Improvement Areas, to be issued in certificated form initially with proper legend which will allow for subsequent transfer through DTC. The 2018-1 Bond Indenture will also provide for same.

7. Security for 2018-1 Bonds. Subject to the concept of Improvement Areas, the Series 2018-1 Bonds will be secured by a pledge of the Net Special Taxes (as the term will be defined in the 2018-1 Bond Indenture) that are authorized to be levied in the respective Improvement Area, pursuant to the respective Improvement Area's CFD 2018-1 RMA levied against the taxable Parcels designated under the respective Improvement Area's CFD 2018-1 RMA and identified in the CFD 2018-1 Boundary Map, and the respective Improvement Area's equivalents,¹ plus the debt service reserve funds held by the Trustee under the 2018-1 Bond Indenture.

8. Default/Foreclosure. If there is a default in the payment of special taxes for an Improvement Area, which is not remedied within Sixty (60) days after notice given to the owner, such default will trigger the levy of a one-time special tax under CFD 2018-2 RMA ("Minimum One-Time Special Tax") with respect to the CFD 2018-1 parcel(s) that are in default. CFD 2018-2 RMA will provide that the Minimum One-Time Special Tax be in an amount equal to (i) the acreage of the defaulted parcel(s) multiplied by (ii) (A) the balance of the Series 2018-2 Bonds at the time of the trigger of the Minimum One-Time Special Tax divided by the total remaining acreage in CFD 2018-2 still subject to the One-Time Special Tax under the CFD 2018-2 RMA, including the acreage of the defaulted parcel(s)).

9. Continuing Disclosure by LLA. Provided the Series 2018-1 Bonds and the Series 2018-2 Bonds are held in their entirety by Saybrook Bondholder or its affiliates, LLA will not be required to file continuing disclosure reports on EMMA or elsewhere. Continuing Disclosure Agreement delivered by LLA on the Closing Date will provide that LLA will provide continuing disclosure information, no more than semi-annually, that will consist of the project development status, the then anticipated development schedule and any other material information regarding or effecting the development of each Improvement Area ("Limited Developer

¹ Equivalents include proceeds from foreclosure sales, if any.

Disclosure"), should any subsequent identified purchaser of Series 2018-1 Bonds or Series 2018-2 Bonds request continuing disclosure information with respect to any Improvement Area. Continuing Disclosure Agreement will provide that all subsequent purchasers of parcels within CFD 2018-1 that are responsible for 20% or more of the special taxes in any given Improvement Area will have to comply with and assume continuing disclosure information obligations under the same circumstances. Requirements to provide Continuing Disclosure Agreement shall cease for each Improvement Area at such time as any landowner ceases to own parcels in such Improvement Area that are responsible for less than 20% of the special taxes levied in such Improvement Area. The City shall have no responsibility for continuing disclosure.

10. Reserve Fund. A Reserve Fund (as defined in the 2018-1 Bond Indenture) will be initially funded for Improvement Area 1 with the funds in the Reserve Fund, the Improvement Fund, and the Trustee Fee and Compliance Expense Reserve Fund Account (as such accounts are defined in the 2006 Bond Indenture) remaining after payment of all expenses incurred and to be paid from such accounts, if any, through the Closing Date (including the expenses of the Trustee but not including the expenses that are to be paid pursuant to the terms of the Deposit Agreement). The Reserve Fund for Improvement Area 1 and the other Improvement Areas will be funded with the levy of maximum special taxes each year until such time as each Reserve Fund equals 6-months of the maximum annual interest on the Series 2018-1 Bonds for the respective Improvement Area.

11. Special Tax Requirement Formula. The definition of the Special Tax Requirement Formula for each of the Improvement Areas of CFD 2018-1 will be set forth in the applicable CFD 2018-1 RMA, copies of which are attached hereto.

12. Tax Exemption. The Series 2018-1 Bonds are contemplated to be tax exempt. To qualify for that status an appraisal of the land within each Improvement Area will be conducted by an appraiser to be chosen by the City. Tax exemption is to be allowed for the Series 2018-1 Bonds so long as the appraised value of the respective Improvement Area is not in the judgment of City's bond counsel unreasonably less than the principal amount of bonds secured by that Improvement Area. The tax exempt status shall be verified by the City's bond counsel after taking into account all facts and circumstances (which may include cash flow revenues projected to pay the tax-exempt Series 2018-1 Bonds) and who shall issue a customary tax exempt opinion. Any shortfall in the total amount of Series 2018-1 Bonds needed to complete the restructuring contemplated by this Agreement and the amount of tax-exempt Series 2018-1 Bonds allowed by this paragraph may be issued at the discretion and request of the Saybrook Parties on a taxable basis at an appropriate taxable rate.

EXHIBIT E

TERMS OF SERIES 2018-2 BONDS

1. No PPM will be utilized.
2. The Series 2018-2 Bonds will be a Term Bond rounded down to the nearest \$1,000, maturing 10 years from the Closing Date ("Series 2018-2 Bond Maturity Date") and callable in part at any time in \$5,000 increments without premium.
3. Simple interest at a rate to be agreed to by Parties.
4. \$100,000 denominations, with \$5,000 increments.
5. Initially issued in certificated form, with proper legend to allow for later trades through DTC.
6. No reserve fund, no prepayment penalty.
7. Continuing Disclosure by LLA. Provided the Series 2018-1 Bonds and the Series 2018-2 Bonds are held in their entirety by Saybrook Bondholder or its affiliates, LLA will not be required to file continuing disclosure reports on EMMA or elsewhere. Continuing Disclosure Agreement delivered by LLA on the Closing Date will provide that LLA will provide continuing disclosure information, no more than semi-annually, that will consist of the Limited Developer Disclosure should any subsequent identified purchaser of Series 2018-1 Bonds or Series 2018-2 Bonds request continuing disclosure information with respect to any Improvement Area. Continuing Disclosure Agreement will provide that all subsequent purchasers of parcels within CFD 2018-1 that are responsible for 20% or more of the special taxes in any given Improvement Area will have to comply with and assume continuing disclosure information obligations under the same circumstances. Requirements to provide Continuing Disclosure Agreement shall cease for each Improvement Area at such time as any landowner ceases to own parcels in such Improvement Area that are responsible for less than 20% of the special taxes levied in such Improvement Area. The City shall have no responsibility for continuing disclosure.
8. Security for Series 2018-2 Bonds. The Series 2018-2 Bonds will be secured by a special tax lien on all parcels/lots within CFD 2018-2. The CFD 2018-2 RMA will provide for a single one-time special tax to be levied in the amount of the Maximum One-Time Special Tax (as defined below) or Minimum One-Time Special Tax (as defined below), as applicable. The Maximum One-Time Special Tax will be levied in connection with and at the time of a sale of a parcel(s)/lot(s) pursuant to an arms-length transaction to an entity unrelated to the Landowners and will be due and payable on the date of closing of the sale. The Maximum One-Time Special Tax will be paid to the Trustee out of the escrow related to the closing of such parcel(s)/lot(s). Maximum One-Time Special Taxes will be levied in connection with all sales of parcel(s)/lot(s) within CFD 2018-2 until such time as the Series 2018-2 Bonds have been paid in full. The Maximum One-Time Special Tax shall be defined in the CFD 2018-2 RMA and represent the amount of the net proceeds (purchase price less ordinary course sale expenses to unrelated third-parties, payments due the City under the Development Agreement, and other monetary encumbrances recorded on title as of the date of this Agreement) from the sale transaction. Upon

the occurrence of an event of default arising under the 2018-1 Indenture, the Minimum One-Time Special Tax will be levied against the applicable defaulted parcel(s)/lot(s) within CFD 2018-1. CFD 2018-2 RMA will provide that the Minimum One-Time Special Tax be in an amount equal to the acreage of the applicable defaulted parcel(s)/lot(s) within CFD 2018-1 multiplied by (the balance of the Series 2018-2 Bonds at the time of the trigger of the Minimum One-Time Special Tax divided by the total remaining acreage in CFD 2018-2 still subject to the Maximum One-Time Special Tax under the CFD 2018-2 RMA) including the defaulted parcel(s). City will provide the Landowner and Escrow Agent, if applicable, with a hand-bill in the amount of the Maximum One-Time Special Tax or Minimum One-Time Special Tax, as applicable. With respect to the levy of the Minimum One-Time Special Tax, the Landowner will have 30 days to pay.

9. Proceeds of the Levy of Special Taxes: The proceeds of the Maximum One-Time Special Tax or Minimum One-Time Special Tax, as applicable, will first pay any administrative costs incurred by the City or CFD 2018-2 in connection with the calculation, levy and payment and release of the lien related to payment of any Maximum One-Time Special Tax or Minimum One-Time Special Tax, and all remaining proceeds will be used to pay interest and principal on the Series 2018-2 Bonds. Payments made by the Trustee on the Series 2018-2 Bonds will be applied first against accrued interest and then principal due and owing on the Series 2018-2 Bonds.

10. Events of Default: The following will trigger a default under the Series 2018-2 Bonds: (a) a default in the payment of the Maximum One-Time Special Tax or Minimum One-Time Special Tax, as applicable, (b) the non-payment in full of the Series 2018-2 Bonds by the Series 2018-2 Bond Maturity Date, and (c) customary defaults under the 2018-2 Bond Indenture.

11. Coordination of Foreclosure Actions. City shall coordinate the foreclosure actions when Events of Defaults have occurred under both the Series 2018-1 Bonds and the Series 2018-2 Bonds. The initial bid amount in connection with any sheriff sale should be in the aggregate amount of the foreclosure judgments obtained by CFD 2018-1 and CFD 2018-2, unless such opening bid is otherwise reduced pursuant to the Mello Roos Act. Upon a successful sheriff sale, the proceeds shall be allocated pro rata between CFD 2018-1 and CFD 2018-2 based upon their respective judgment amounts up to the amount of their respective judgment, plus applicable interest earned. To the extent that foreclosure proceeds remain after payment of the aggregate amount provided for in the judgments plus the accrued interest, the excess proceeds shall be used by the Trustee as a mandatory prepayment of the Series 2018-2 Bonds as provided for under the 2018-2 Bond Indenture. No foreclosure proceeds will go to the Landowner if there are Series 2018-2 Bonds still outstanding. The new owner of the parcel(s) will take such parcel(s) subject only to the CFD 2018-1 special tax lien. In connection with the transfer of title to any parcel(s) in connection with a foreclosure sale described in this paragraph, the City will provide the new owner with the requisite documents to release the Series 2018-2 Bond special tax lien from the property.

12. Reconveyance and Dissolution. In connection with the closing of a sale and transfer of title to any parcel(s)/lot(s) by LLA to an unrelated entity, the City shall deliver into escrow the requisite documents to release the Series 2018-2 Bond special tax lien with respect to the respective parcel(s)/lot(s) being sold upon payment of the Maximum One-Time Special Tax to the Trustee. Once the Series 2018-2 Bonds have been paid in full, the City will record the

necessary document to release the special tax lien relating to the Series 2018-2 Bonds from all parcels and dissolve CFD 2018-2.

13. Tax Exemption. The Series 2018-2 Bonds are contemplated to be tax exempt. To qualify for that status an appraisal of the land securing the 2018-2 Bonds will be conducted by an appraiser to be chosen by the City. Tax exemption is to be allowed for the Series 2018-2 Bonds so long as the appraised value of the CFD 2018-2 is not in the judgment of City's bond counsel unreasonably less than the principal amount of bonds secured by CFD 2018-2. The appraisal shall take into account future reasonable expected cash flow and improvements to the land securing the Series 2018-2 B Bonds. The tax exempt status shall be verified by the City's bond counsel after taking into account all facts and circumstances (which may include cash flow revenues projected to pay the tax exempt Series 2018-2 Bonds) and who shall issue a customary tax exempt opinion. Any shortfall in the total amount of Series 2018-2 Bonds needed to complete the restructuring contemplated by this Agreement and the amount of tax-exempt Series 2018-2 Bonds allowed by this paragraph may be issued at the discretion and request of the Saybrook Parties on a taxable basis at an appropriate taxable rate.

EXHIBIT F

PARCELS RE SPECIAL TAX WAIVER

191-200-160-000	191-200-170-000	191-200-180-000	191-200-190-000
191-200-210-000	191-200-230-000	191-200-240-000	191-200-250-000
191-200-260-000	191-210-070-000	191-210-080-000	191-210-090-000
191-210-100-000	191-210-110-000	191-210-130-000	191-210-150-000
191-210-160-000	191-210-170-000	191-210-180-000	191-210-190-000
191-210-200-000	191-210-210-000	191-210-220-000	191-210-230-000
191-210-240-000	191-210-250-000	191-210-300-000	191-210-310-000
191-210-330-000	191-210-340-000	191-210-350-000	191-210-370-000
191-220-100-000	191-220-110-000	191-220-120-000	191-220-130-000
191-220-170-000	191-220-350-000	191-220-370-000	191-220-440-000
191-220-450-000			

ATTACHMENT 2

RESOLUTION APPROVING RESTRUCTURING AGREEMENT

RESOLUTION NO. 18-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP ACTING AS THE LEGISLATIVE BODY OF THE COMMUNITY FACILITIES DISTRICT 2006-01 TO APPROVE A RESTRUCTURING AGREEMENT RELATED TO COMMUNITY FACILITIES DISTRICT NO. 2006-1 (CENTRAL LATHROP SPECIFIC PLAN PHASE 1 INFRASTRUCTURE), AUTHORIZE CERTAIN ACTION BY THE BOND TRUSTEE RELATED THERETO, AUTHORIZE AN ALTERNATE FORM OF PREPAYMENT OF SPECIAL TAX OBLIGATION FOR PARCELS WITHIN SUCH COMMUNITY FACILITIES DISTRICT AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the City Council (the "City Council") of the City of Lathrop (the "City") has previously conducted proceedings to establish Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) (the "CFD") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code; and

WHEREAS, the City is authorized to levy and has levied special taxes (the "Special Tax") on land within the CFD according to a Rate and Method of Apportionment of Special Tax attached as Exhibit B (the "RMA") to Resolution No. 06-2164, adopted on June 6, 2006 and the City in 2006 issued on behalf of the CFD its \$50,000,000 principal amount of the City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds Series 2006) (the "2006 Bonds") secured by, among other things, the Special Taxes, all pursuant to an Indenture, dated September 1, 2006, as amended, between the City and UMB Bank, National Association (the "2006 Trustee"); and

WHEREAS, due to unanticipated changing real estate market conditions, land in the CFD has not been fully developed and the payment of Special Taxes of the CFD and the 2006 Bonds are delinquent; and

WHEREAS, the land in a portion of the CFD has been acquired by Saybrook CLSP, LLC, a Delaware limited liability company and Lathrop Land Acquisition, LLC, a Delaware limited liability company (together, the "Landowners"), and the Landowners have requested that the Special Taxes (including all penalties and interest thereon) obligation of the CFD be deemed paid, prepaid, waived or forgiven upon (i) participation by the Landowners in two new community facilities districts to be established for the purpose of refinancing the 2006 Bonds, and (ii) the consummation of the restructuring of the CFD and the 2006 Bonds, all pursuant to a "Restructuring Agreement for the Community Facilities District No. 2006-1" (the "Restructuring Agreement") by and among the City, the 2006 Trustee and the Landowners, which the parties thereto have determined is a mutually beneficial resolution of the delinquency issues pertaining to the CFD; and

WHEREAS, implementation of the Restructuring Agreement is necessary for development within the CFD to proceed and the Restructuring Agreement provides that, subject to the terms and conditions therein, the Special Taxes (including all delinquent amounts, penalties and interest thereon) and the 2006 Bonds will be deemed paid and prepaid by implementing the Restructuring Agreement; and

WHEREAS, this City Council finds that the restructuring of the Special Taxes and 2006 Bonds pursuant to the Restructuring Agreement serves a municipal purpose and is in the best

interests of the City and it is necessary and desirable for the City and its citizens that the Restructuring Agreement be implemented, and that the City consent the 2006 Trustee to seek instruction in a court proceeding to be initiated by the 2006 Trustee to satisfy in full all of the interests of the Minority Bondholders (as defined in the Restructuring Agreement) in accordance with the terms and conditions of the Restructuring Agreement ; and

WHEREAS, Section I of the RMA provides that interpretations of the RMA may be made by Resolution of the City Council for the purposes of correcting any inconsistency, vagueness or ambiguity and this City Council finds that the unique and unanticipated and extraordinary circumstances of the CFD are appropriate for extraordinary interpretation of the RMA and that the provisions of the Restructuring Agreement and implementation thereof will best serve the interests of the holders of the 2006 Bonds and the owners of property subject to the Special Taxes; and

WHEREAS, under Sections 53312.5 and 53315 of the Act, this City Council, as the legislative body for the CFD, is empowered with the authority to liberally construe the provisions of the Act in order to effectuate its purposes, and is further empowered with the authority to take any actions or make any determinations that are necessary or convenient to carry out the purposes of the Act and not otherwise prohibited, and the City Council finds that the actions approved herein are authorized under the Act; and

WHEREAS, the City Council now desires to approve the Restructuring Agreement and consents to the 2006 Trustee initiating a court proceeding according to the provisions of the Restructuring Agreement to satisfy in full the interests of Minority Bondholders (including Delinquent Interest, as defined in the Restructuring Agreement), and to approve the payment, prepayment, waiver or forgiveness of all delinquent Special Taxes (including any interest and penalties thereon) and the payment of the 2006 Bonds according to the Restructuring Agreement.

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LATHROP, AS FOLLOWS:

1. This City Council hereby finds and determines that the foregoing recitals are true and correct.

2. The Council hereby approves the Restructuring Agreement in the form presented to the Council at this meeting and attached hereto as Exhibit A. The City Manager, City Attorney, Finance Director or such other person or persons as any of them may designate (each, an "Authorized Officer"), each acting alone or together with any other Authorized Officer, are each hereby authorized and directed to execute the Restructuring Agreement, in such form, together with any additions thereto or changes therein deemed necessary or advisable by the Authorized Officer executing such document. The Council hereby authorizes the delivery and performance by the City of the Restructuring Agreement.

3. Pursuant to the Restructuring Agreement, the Saybrook Bondholder (as defined in the Restructuring Agreement) and the City are expected to consent and direct the 2006 Trustee to file a petition seeking instruction relating to the administration of a trust pursuant to Minn. Statute §501C.0201-0208 ("TIP Proceeding") in a court of competent jurisdiction in Minnesota to (i) obtain an order authorizing and directing the 2006 Trustee to make the payments to Minority Bondholders as described in the Restructuring Agreement; (ii) satisfy in full matured 2006 Bonds owned by the Minority Bondholders pursuant to Section 8.3 of the 2006 Bond Indenture; (iii) redeem in full the Unmatured 2006-1 Bonds (as defined in the Restructuring Agreement) owned by the Minority Bondholders; and (iv) carry out the other actions related thereto. The Council hereby consents to the filing of the TIP Proceeding as contemplated in the Restructuring

Agreement upon the Restructuring Agreement being fully executed, and the Council hereby approves the 2006 Trustee seeking entry of a Final TIP Order (as defined in the Restructuring Agreement) related thereto, as determined appropriate by the 2006 Trustee and without further approval of this Council. Each Authorized Officer, acting alone or together with any other Authorized Officer, is hereby authorized to take such actions as deemed necessary or advisable by the Authorized Officer to further the TIP Proceeding.

4. Pursuant to the Restructuring Agreement, this City Council intends to conduct proceedings under the Act to establish (i) Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) and (ii) Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities) (the "New CFDs") with boundaries that encompass a portion of the parcels in the CFD (the "2018 CFD Parcels") and to authorize and approve the levy of a special tax on land within the New CFDs according to the Rate and Method of Apportionment of Special Tax to be approved in the establishment proceedings for each.

5. The inclusion of the 2018 CFD Parcels in the New CFDs and the issuance of bonds thereof in accordance with the Restructuring Agreement and the satisfaction of obligations under and as contemplated by the Restructuring Agreement shall constitute prepayment of the Special Taxes, including any interest and penalties thereon, of the CFD and the CFD shall be dissolved. Conditioned upon the valid formation of the New CFDs, the recording of a Notice of Special Tax Lien for the New CFDs on all of the 2018 CFD Parcels and the closing of a bond issue for each of the New CFDs as contemplated by the Restructuring Agreement and such other conditions as an Authorized Officer may deem appropriate, the Clerk, in coordination with the City's Bond Counsel and in accordance with Section 53330.5 of the Act, is hereby authorized and directed to cause the preparation and recordation of a Notice of Cessation of Special Tax with the County Recorder of the County of San Joaquin with respect to the lien of the Special Taxes upon all parcels therein.

6. Each Authorized Officer, acting alone or together with any other Authorized Officer, is hereby authorized to take such actions as such Authorized Officer deems necessary or appropriate in order to consummate any of the transactions contemplated by the Restructuring Agreement and the approvals contained in this Resolution.

7. This City Council hereby further finds that the actions and determinations made herein are necessary and convenient to carry out the purpose of the Act and the restructuring of financing originally contemplated by and for the CFD, and such actions and determinations are not otherwise prohibited by law and that the actions taken hereby are final and in accordance with the Act.

8. All proceedings heretofore taken by this Council with respect to the CFD and the other actions approved in this resolution, including the actions taken herein, have been duly considered and are hereby determined to be valid and in conformity with the Act.

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

The foregoing resolution was passed and adopted this 13th day of August, 2018, by the following vote of the City Council, to wit:

AYES:

NOES:

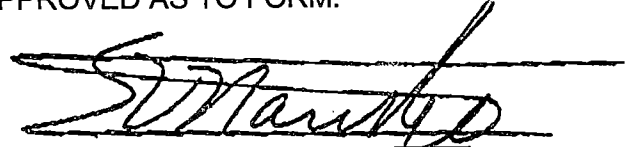
ABSENT:

ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

A handwritten signature in black ink, appearing to read "S. Navarrete", is written over a horizontal line.

Teresa Vargas, City Clerk

Salvador Navarrete, City Attorney

EXHIBIT A

FORM OF RESTRUCTURING AGREEMENT

ATTACHMENT 3

RESOLUTION OF INTENT TO ESTABLISH CFD 2018-1

RESOLUTION NO. _____

**A RESOLUTION OF INTENTION TO ESTABLISH
A COMMUNITY FACILITIES DISTRICT AND FIVE IMPROVEMENT AREAS THEREIN
AND LEVY A SPECIAL TAX**

**CITY OF LATHROP
Community Facilities District No. 2018-1
(Central Lathrop Specific Plan Facilities)**

WHEREAS, on June 6, 2006, the City Council (the "Council") of the City of Lathrop (the "City") adopted Resolution No. 06-2164, entitled "A Resolution of Formation of Community Facilities District and to Levy Special Tax in Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure)" which established the City's Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) (the "2006 CFD") under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code, and, pursuant to a vote of the then qualified electors of the 2006 CFD, the City is authorized to levy a Special Tax therein and issued its City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds, Series 2006 (the "2006 Bonds") on behalf of the 2006 CFD for the purpose of financing improvements of benefit to land in the 2006 CFD; and

WHEREAS, the land in a portion of the 2006 CFD has been acquired by Saybrook CLSP, LLC, a Delaware limited liability company and Lathrop Land Acquisition, LLC, a Delaware limited liability company (together, the "Landowners"), and the Landowners have requested that the special tax obligation of the 2006 CFD be deemed prepaid upon participation by the Landowners in two new community facilities districts to be established for the purpose of refinancing the 2006 Bonds, all pursuant to a "Restructuring Agreement for the Community Facilities District No. 2006-1" (the "Restructuring Agreement") by and among the City, the 2006 Trustee and the Landowners, which the parties thereto have determined is a mutually beneficial resolution of the delinquency issues pertaining to the CFD and which the parties expect will meet the needs of the current development plan of land within the two new community facilities districts; and

WHEREAS, the Restructuring Agreement provides that the Council conduct proceedings under the Act to establish two new community facilities districts with boundaries that encompass a portion of the parcels in the 2006 CFD and to authorize and approve the levy of a special tax on land within such new community facilities districts, and that satisfaction of obligations under and as contemplated by the Restructuring Agreement shall constitute prepayment of the special taxes, including any interest and penalties thereon, of the 2006 CFD and the termination of all special tax obligations associated with the 2006 CFD; and

WHEREAS, in accordance with such request of the Landowners, the Council desires to proceed with the establishment of Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) (the "CFD"), and five improvement areas therein, in order to restructure indebtedness issued to finance costs of public infrastructure necessary or incidental to development and financed by the 2006 CFD, to facilitate the prepayment of a portion of and a waiver and termination of all remaining special taxes and past due and delinquent special taxes

(including all penalties and interest) on all parcels within the 2006 CFD, certain of which parcels are proposed to be included in the CFD, and to thereby cause a repayment of outstanding 2006 Bonds in accordance with the Restructuring Agreement; and

WHEREAS, under the Act, this Council is authorized to establish a community facilities district and improvement areas therein, and to act as the legislative body for a community facilities district; and

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Authority. It is proposed to establish a community facilities district, and designate improvement areas therein, under the terms of the Act to finance and refinance costs of public facilities necessary or incidental to new development in the City, which public improvements have been constructed and were financed by the 2006 Bonds. The Council hereby finds that a restructure of the 2006 CFD is in the best interests of the City, the owners of land in the 2006 CFD and holders of the 2006 Bonds, and it is necessary and appropriate to restructure the 2006 Bonds and unpaid special tax obligations of the 2006 CFD by establishing the CFD and providing a means for the payment of special taxes of the 2006 CFD.

2. Name of CFD. The name proposed for the community facilities district is "City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)".

Pursuant to Section 53350 of the Act, the territory to be initially included in the CFD (as shown on the map described in Section 3 hereof) is hereby designated to include the following improvement areas (collectively, the "Improvement Areas"):

- (i) "Improvement Area No. 1 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" ("Improvement Area 1").
- (ii) "Improvement Area No. 2 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" ("Improvement Area 2").
- (iii) "Improvement Area No. 3 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" ("Improvement Area 3").
- (iv) "Improvement Area No. 4 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" ("Improvement Area 4").
- (v) "Improvement Area No. 5 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" ("Improvement Area 5").

3. Boundaries Described. The proposed boundaries of the CFD and the Improvement Areas are shown on the boundary map on file with the City Clerk, which the Council hereby approves as the map describing the extent of the territory included in the proposed CFD and each Improvement Area. The Council finds that the map is in the form and contains the matters prescribed by Section 3110 of the California Streets and Highways Code. The Council hereby directs the City Clerk to certify the adoption of this resolution on the face of the map, and to file a copy of the map in the office of the City Clerk in accordance with Section 3111 of the California Streets and Highways Code and within 15 days of the date of adoption of this resolution but in no event later than 15 days prior to the public hearing provided for herein,

transmit the map to the County Recorder for recording in the Book of Maps of Assessment and Community Facilities Districts in the office of the County Recorder of the County of San Joaquin.

4. Facilities. The CFD is proposed to be formed to pay the special tax obligation of the 2006 CFD and thereby provide redemption of the 2006 Bonds secured by such special tax. The type of public facilities financed by the 2006 CFD consist of those listed on Exhibit F hereto and hereby incorporated herein (the "Facilities"). The Council hereby finds and determines that the Facilities have been constructed and were financed by the 2006 CFD, and the Council hereby determines that a restructure of the 2006 CFD is in the public interest, and it is necessary and appropriate to refinance the unpaid special taxes of the 2006 CFD by establishing the CFD and providing for the payment of special taxes of the CFD as payment for the portion of the Facilities originally financed by the 2006 CFD.

5. Special Tax. Except to the extent that funds are otherwise available to the CFD to pay for the 2006 Bonds and obligations related thereto, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property in each Improvement Area within the CFD, will be levied annually within each such Improvement Area, and collected in the same manner as ordinary *ad valorem* property taxes, or in such other manner as the Council or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the Special Taxes among the parcels of real property within each Improvement Area, in sufficient detail to allow each landowner within the each proposed Improvement Area to estimate the maximum amount such owner will have to pay, are described in the Rate and Method of Apportionment attached hereto as Exhibit A with respect to Improvement Area 1, Exhibit B with respect to Improvement Area 2, Exhibit C with respect to Improvement Area 3, Exhibit D with respect to Improvement Area 4, and Exhibit E with respect to Improvement Area 5, and hereby incorporated herein (each, the "Rate and Method" for each respective Improvement Area).

The Council hereby finds that the provisions of Sections 53313.6, 53313.7 and 53313.9 of the Act (relating to adjustments to *ad valorem* property taxes and schools financed by a community facilities district) are inapplicable to the proposed CFD.

In the case of any Special Tax to pay for the Facilities to be levied against any parcel used for private residential purposes: (i) the maximum Special Tax shall be specified as a dollar amount which shall be calculated and thereby established not later than the date on which the parcel is first subject to the tax because of its use for private residential purposes and which amount shall not be increased over time over two percent (2%) per year; (ii) the tax year after which no further Special Tax subject to this sentence shall be levied or collected shall be as set forth in the Rate and Method for each applicable Improvement Area; and (iii) under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel within an Improvement Area by more than ten percent (10%). For the purposes hereof, a parcel is used for "private residential purposes" not later than the date on which an occupancy permit for private residential use is issued.

It is anticipated that the Special Tax will be billed as a separate line item on the regular property tax bill. However, the Council reserves the right, under Section 53340 of the Act, to utilize any method of collecting the Special Tax which it shall, from time to time, determine to be in the best interests of the City, including, but not limited to, direct billing by the City to the property owners and supplemental billing.

6. Exempt Property. Except as may otherwise be provided by law or by the Rate and Method for each applicable Improvement Area, all lands owned by any public entity, including the United States, the State of California and the City, or any departments or political subdivisions thereof, shall be omitted from the levy of the Special Tax. In the event that a portion of the property within an Improvement Area shall become for any reason exempt, wholly or in part, from the levy of the Special Tax, the Council will, on behalf of the CFD, increase the levy to the extent necessary upon the remaining property within each Improvement Area which is not exempt in order to yield the required debt service payments and other annual expenses of each Improvement Area, if any, subject to the provisions of the Rate and Method.

7. Election. The levy of the Special Tax shall be subject to the approval of the qualified electors within each Improvement Area at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed respective Improvement Area, with each owner having one vote for each acre or portion of an acre such owner owns in the respective Improvement Area. The Council hereby determines that the Facilities are necessary to meet increased demands placed upon local agencies as the result of development within the CFD.

8. Bonds. It is the intention of the Council, acting as the legislative body for the CFD, to cause bonds of the City to be issued for each Improvement Area pursuant to the Act to finance or refinance in whole or in part the Facilities. The bonds shall be issued in such series and bear interest payable semi-annually or in such other manner as this Council shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 40 years from the date of the issuance thereof.

The Council reserves to itself the right and authority to allow any interested owner of property in any Improvement Area, subject to the provisions of Section 53344.1 of the California Government Code and such requirements as it may otherwise impose, and any applicable prepayment penalties as prescribed in the indenture or fiscal agent agreement for any bonds of the City for an Improvement Area, to tender to the Finance Director of the City or person in an equivalent position in full payment or part payment of any installment of 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, in the manner described in Section 53344.1 of the California Government Code.

9. CFD Report. The City's Director of Public Works (or deputy or designee thereof) as the officer having charge and control of the Facilities in and for the CFD, is hereby directed to study said proposed Facilities and to make, or cause to be made, and file with the City Clerk a report in writing (the "CFD Report"), and to cause it to be on file at the public hearing, all as required by Section 53321.5 of the Act presenting at least the following:

(a) A brief description of the Facilities financed in part by the 2006 CFD, the special tax obligation of the 2006 CFD, the remaining indebtedness of the 2006 Bonds required to be paid, prepaid and restructured to adequately meet the needs of the CFD; and

(b) An estimate of the cost of the indebtedness required to in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Act.

The CFD Report shall be made a part of the record of the public hearing specified below.

10. Public Hearing. The Council hereby sets Monday, October 8, 2018, at 7:00 p.m. or as soon as possible thereafter, in the City Hall, Council Chambers, 390 Towne Center Drive, Lathrop, California, as the time and place when and where the Council, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD and the Improvement Areas, and consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD, the designation of the Improvement Areas, and the levy of the Special Tax within each Improvement Area. At the hearing, testimony concerning the CFD, the extent of the CFD or the furnishing of the particular types of public facilities will be heard and protests will be considered from registered voters residing within each respective Improvement Area, if any, and persons owning real property within each respective Improvement Area. Written protests by the owners of a majority of the land which would be subject to special taxation within each proposed respective Improvement Area will require the suspension of proceedings for at least one year. Written protests must be filed with the City Clerk at or before the time fixed for the hearing. If such protests are directed only against certain elements of the proposed improvements or proposed special tax, and if such protests constitute a majority protest, only those elements shall be deleted from the proceedings.

11. Notice of Hearing. The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least seven days before the date of the public hearing specified above. The notice shall be substantially in the form specified in Section 53322 of the Act, a sufficient form of which is attached hereto as Exhibit G.

12. Effectiveness. This Resolution shall take effect upon its adoption.

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Lathrop at a meeting held on the 13th day of August, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

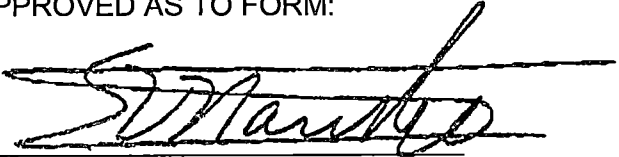
ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney

EXHIBIT A

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
IMPROVEMENT AREA NO. 1**

**IMPROVEMENT AREA NO. 1 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 1 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 1, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 1 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Accessory Unit” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“Acre” or “Acreage” means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 1 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 1 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 1 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 1. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 1” means Improvement Area No. 1 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 1 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 1 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 1 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 1 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 1 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 1, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 1, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 1.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 1 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 1 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 1.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 1, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 1 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 1, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 1 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 1 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 1, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 1 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 1.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 1, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 1 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 1 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #1 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-210-38	22.9	Residential	\$9,680	\$221,672
191-210-39	22.7	Residential	\$9,680	\$219,736
191-210-40	15.2	Residential	\$9,680	\$147,136
191-210-41	12.3	Residential	\$9,680	\$119,064
191-210-42	16.3	Residential	\$9,680	\$157,784
191-210-43	4.1	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$865,392

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT B

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
IMPROVEMENT AREA NO. 2**

**IMPROVEMENT AREA NO. 2 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 2 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 2, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 2 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 2 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 2 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 2 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 2. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 2” means Improvement Area No. 2 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 2 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 2 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 2 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 2 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 2, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 2, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 2.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 2 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 2 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 2.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 2, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 2 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 2, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 2 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 2 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 2 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 2, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 2 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 2.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 2, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 2 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 2 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #2 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-21	17.0	Residential	\$9,680	\$164,560
191-200-23	10.8	Residential	\$9,680	\$104,544
191-200-24	15.3	Residential	\$9,680	\$148,104
191-210-17	13.7	Residential	\$9,680	\$132,616
191-200-25	4.5	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$549,824

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT C

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
IMPROVEMENT AREA NO. 3**

**IMPROVEMENT AREA NO. 3 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 3 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 3, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 3 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Accessory Unit” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“Acre” or “Acreage” means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 3 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 3 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 3 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 3. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 3” means Improvement Area No. 3 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 3 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 3 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 3 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 3 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 3 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 3, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 3, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 3.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 3 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 3 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 3.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 3, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 3 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 3, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 3 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 3 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 3 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 3, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 3 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 3.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 3, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 3 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 3 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

- Step 9:** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 10:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

- Step 1.** Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.
- Step 2.** Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.
- Step 3.** Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.
- Step 4.** Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

Attachment 1
Improvement Area #3 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-26	12.2	Residential	\$9,680	\$118,096
191-210-18	16.8	Residential	\$9,680	\$162,624
191-210-19	18.0	Residential	\$9,680	\$174,240
191-210-21	22.5	Residential	\$9,680	\$217,800
191-210-22	20.9	Residential	\$9,680	\$202,312
191-210-23	19.5	Residential	\$9,680	\$188,760
191-210-20	5.1	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$1,063,832

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT D

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
IMPROVEMENT AREA NO. 4**

**IMPROVEMENT AREA NO. 4 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 4 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 4, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 4 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Accessory Unit" means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 4 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 4. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 4” means Improvement Area No. 4 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 4 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 4 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 4 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 4 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 4 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 4, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 4, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 4.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 4 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 4 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 4.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 4, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 4 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 4, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 4 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 4 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 4 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 4, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 4 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 4.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 4, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 4 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 4 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

Step 9: If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).

Step 10: The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

Step 1. Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.

Step 2. Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.

Step 3. Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.

Step 4. Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

**Attachment 1
Improvement Area #4 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)**

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-210-33	19.5	Residential	\$9,680	\$188,760
191-210-35	20.6	Residential	\$9,680	\$199,408
191-210-30	7.8	Pond/Sprayfield	\$0	\$0
191-210-31	28.5	Public (Park)	\$0	\$0
191-210-32	16.4	Public	\$0	\$0
191-210-34	5.0	Public (Park)	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$388,168

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT E

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
IMPROVEMENT AREA NO. 5**

**IMPROVEMENT AREA NO. 5 OF THE
CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in Improvement Area No. 5 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in Improvement Area No. 5, unless exempted by law or by the provisions of Section G below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to Improvement Area No. 5 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

“Accessory Unit” means a second residential unit of limited size (e.g., granny cottage, second unit) that shares a Parcel with a single-family detached unit.

“Acre” or **“Acreage”** means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

“Administrative Expenses” means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the City in carrying out its duties with respect to Improvement Area No. 5 and the Bonds related thereto, including, but not limited to, the levy and collection of the Special Tax, the fees and expenses of its counsel, charges levied by the County in connection with the levy and collection of the Special Tax, costs related to property owner inquiries regarding the Special Tax, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with continuing disclosure requirements with respect to the Bonds and the Special Tax, and all other costs and expenses of the City and County in any way related to administration of the CFD including costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

“Administrative Expense Cap” means \$15,000 for Fiscal Year 2018-19 and \$15,000 for Fiscal Year 2019-20. No Administrative Expense Cap shall apply after Fiscal Year 2019-20.

“Administrative Expense Reimbursement Amount” means a total of \$40,000.

“Administrator” means the person or firm designated by the City to administer the Special Tax according to this RMA.

“Airspace Parcel” means a parcel with an assigned Assessor’s Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within Improvement Area No. 5 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by Special Taxes collected within the CFD, pursuant to the documents adopted by the City Council at CFD Formation.

“Base Special Tax” means, in Fiscal Year 2018-19, \$9,680 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Residential Property and \$4,000 per Net Acre for any Parcel or portion of a Parcel developed or expected to be developed as Non-Residential Property, which amounts shall increase on July 1, 2019 and each July 1 thereafter by two percent (2%) of the amount in effect in the prior Fiscal Year. The determination of Expected Land Use shall be made by the Administrator based on review of land use and development plans, and in coordination with the City Planning Department.

“Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by Special Tax revenues and were issued, insured or assumed by Improvement Area No. 5 to fund Authorized Facilities.

“CFD” or “CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-1 was adopted by the City Council.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Debt Service Reserve Funding Amount” means an amount equal to 50% of the greatest interest payment due in any single bond year, as defined in the Indenture.

“Developed Property” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction (which shall not include a permit issued solely for construction of the foundation if another permit remains to be issued for vertical construction of the building) was issued prior to June 1 of the preceding Fiscal Year.

“EDU” means an equivalent dwelling unit, as used in Section C.3 to determine the relative relationship among SFD Lots.

“EDU Factor” means the equivalent dwelling unit factor assigned to SFD Lots in Section C.3 below.

“Expected Land Use” means the Land Use(s) and/or Public Property anticipated on a Parcel in Improvement Area No. 5. The Expected Land Uses at the time of CFD Formation are identified in Attachment 1 of this RMA, and such Expected Land Uses may be updated pursuant to Sections C and D below.

“Final Map” means a final map, or portion thereof, recorded by the County pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) that creates SFD Lots. The term “Final Map” shall not include any Assessor’s Parcel Map or subdivision map, or portion thereof, that does not create SFD Lots, including Assessor’s Parcels that are designated as remainder parcels.

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

“Improvement Area No. 5” means Improvement Area No. 5 of the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“Indenture” means the bond indenture, fiscal agent agreement, trust 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” means Residential Property or Non-Residential Property.

“Land Use Change” means a proposed or approved change to the Expected Land Use(s) on a Parcel of Taxable Property.

“Large Lot Map” means a subdivision map recorded at the County Recorder’s Office that subdivides all or a portion of the property in Improvement Area No. 5 into large Parcels, most of which will be subject to future subdivision.

“Maximum Special Tax” means the greatest amount of Special Tax that can be levied on a Parcel of Taxable Property in any Fiscal Year, as determined in accordance with Sections C and D below. The Maximum Special Tax based on Expected Land Uses for each Parcel in Improvement Area No. 5 at the time of CFD Formation is set forth in Attachment 1.

“Multi-Family Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a residential structure with five or more Units that share a single Assessor’s Parcel number, are offered for rent to the general public, and cannot be purchased by individual homebuyers.

“Net Acreage” means the estimated acreage of Residential Property and Non-Residential Property on an Original Parcel after taking out expected Public Property, not including internal streets. The Net Acreage within each Original Parcel at the time of CFD Formation is shown in Attachment 1, and such Net Acreage shall be updated each time an Original Parcel subdivides or a Land Use Change is approved. **“Net Acre”** means one acre of the Net Acreage calculated for a Parcel.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property that are not Taxable Public Property for which a building permit was issued for a use other than Residential Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Non-Residential Property shall be calculated by dividing the net leasable and net saleable square footage of non-residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“Original Parcel” means: (i) an Assessor’s Parcel included in Improvement Area No. 5 at the time of CFD Formation, (ii) an Assessor’s Parcel that annexes into Improvement Area No. 5 after CFD Formation, or (iii) a Successor Parcel that was created after subdivision of an Original Parcel and is being further subdivided.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, **“Proportionately”** means that the ratio of the actual Special Tax levied to the Maximum Special Tax authorized to be levied is equal for all Assessor’s Parcels of Undeveloped Property.

“Public Property” means any property within the boundaries of Improvement Area No. 5 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Required Coverage” means that the Total Maximum Special Tax Revenue must be at least 110% of the debt service on the Bonds in every bond year, as defined in the Indenture.

“Required Revenue” means, after one or more series of Bonds have been issued for Improvement Area No. 5, the Total Maximum Special Tax Revenue that must be available in order to maintain Required Coverage. Upon prepayment of all or a portion of the Maximum Special Tax obligation assigned to any Parcel in Improvement Area No. 5, the Required Revenue shall be reduced by the Special Tax that will no longer be levied on the Parcel for which a prepayment was received, as determined by the Administrator. For purposes of Section C below, Required Revenue shall be \$0.00 prior to issuance of the first series of Bonds for Improvement Area No. 5.

“Residential Property” means, collectively, Single Family Detached Property, Single Family Attached Property, and Multi-Family Property. If a Parcel includes or is expected to include both Units and non-residential land uses, the Net Acreage to be taxed as Residential Property shall be calculated by dividing the net leasable and net saleable square footage of residential uses on the Parcel (as determined by the Administrator) by the aggregate net leasable and net saleable square footage built or expected to be built on the Parcel (as determined by the Administrator), then multiplying the quotient by the Net Acreage of the underlying land Parcel for purposes of calculating the Maximum Special Tax and levying the Special Tax in any Fiscal Year.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“SFD Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a single family detached unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map.

“Single Family Attached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit or use permit was issued for construction of a residential structure consisting of two or more Units that share common walls, have separate Assessor’s Parcel numbers assigned to them (except for a duplex unit, which may share a Parcel with another duplex unit), and may be purchased by individual homebuyers (which shall still be the case even if the Units are purchased and subsequently offered for rent by the owner of the Unit), including such residential structures that meet the statutory definition of a condominium contained in Civil Code Section 1351.

“Single Family Detached Property” means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a Unit that does not share a common wall with another Unit.

“Special Tax” means a special tax levied in any Fiscal Year to pay the Special Tax Requirement.

“Special Tax Requirement” means the amount necessary in any Fiscal Year to: (i) pay principal and interest on Bonds that is due in the calendar year that begins in such Fiscal Year; (ii) create and/or replenish debt service reserve funds as required by the Indenture for the Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (iii) cure any delinquencies in the payment of principal

or interest on Bonds which have occurred in the prior Fiscal Year; (iv) pay Administrative Expenses, subject to the Administrative Expense Cap if applicable for the Fiscal Year; (v) create and/or replenish reserve funds for Administrative Expenses; and (vi) pay for extraordinary administrative expense reserve reimbursement, as described in the Indenture. The amounts referred to in clauses (i) and (ii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to the Indenture; (ii) proceeds received from the collection of penalties associated with delinquent Special Taxes; and (iii) any other revenues available to reduce the Special Tax Requirement as determined by the Administrator.

“Successor Parcel” means a Parcel of Taxable Property created from subdivision or reconfiguration of an Original Parcel.

“Taxable Property” means all Parcels within the boundaries of Improvement Area No. 5 that (i) are not exempt from the Special Tax pursuant to law or Section G below, and (ii) which upon subdivision of an Original Parcel, are assigned Expected Land Uses and are not expected to be Public Property.

“Taxable Public Property” means, in any Fiscal Year, any Parcel of Public Property within Improvement Area No. 5 that had been assigned a Maximum Special Tax obligation based on Expected Land Uses being assigned to the Parcel. Notwithstanding the foregoing, if (i) a prepayment is received in an amount sufficient to pay off the full Maximum Special Tax obligation assigned to the Parcel, or (ii) the City determines that, in the Fiscal Year in which the Parcel would first be categorized as Taxable Public Property, an equal amount of Acreage within the CFD that had been Public Property became Taxable Property, then the Parcel of Public Property can be deemed exempt from the Special Tax if the Administrator determines that the Total Maximum Special Tax Revenue after granting such exemption is greater than or equal to the Required Revenue.

“Total Maximum Special Tax Revenue” means the aggregate amount of revenue that can be generated in any Fiscal Year by levying the Maximum Special Tax on all Parcels of Taxable Property within Improvement Area No. 5.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property that are not Developed Property.

“Unit” means a single family detached unit or an individual unit within a duplex, triplex, halfplex, fourplex, condominium, townhome, live/work, or apartment structure. An Accessory Unit that shares a Parcel with a single-family detached unit shall not be considered a separate Unit for purposes of this RMA.

B. DATA FOR ADMINISTRATION OF SPECIAL TAX

On or about July 1 of each Fiscal Year, the Administrator shall identify (i) the current Assessor's Parcel numbers for all Parcels of Developed Property and Undeveloped Property within Improvement Area No. 5, (ii) the number of Units expected within each building on each Parcel of Single Family Attached Property, (iii) the square footage of all SFD Lots that were created in the prior Fiscal Year, (iv) whether the Administrative Expense Reimbursement Amount and the Debt Service Reserve Funding Amount have been fully funded by special tax revenues from prior fiscal years, and (v) the Special Tax Requirement for the Fiscal Year. In addition, on an ongoing basis, the Administrator shall monitor Land Use Changes and the subdivision of Parcels in Improvement Area No. 5 and (i) allocate the Maximum Special Tax assigned to the Original Parcel(s) to the Successor Parcels created by the subdivision pursuant to Section C below, and (ii) ensure that such Land Use Changes do not result in Total Maximum Special Tax Revenue that is less than the Required Revenue. After the recordation of each Large Lot Map within Improvement Area No. 5, the Administrator shall also review and revise, as needed, the Expected Land Uses, Net Acreage, and Maximum Special Taxes for each Successor Parcel created by recordation of the Large Lot Map, and update Attachment 1 accordingly, as set forth in Section C below.

In any Fiscal Year, if it is determined that: (i) a parcel map for property in Improvement Area No. 5 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new parcels created by the parcel map, and (iii) a building permit was issued prior to June 1 of the prior Fiscal Year for development on one or more of the newly-created parcels, the Administrator shall calculate the Special Tax for each Land Use within the subdivided area and levy such Special Tax on the Original Parcel that was subdivided by recordation of the parcel map.

C. MAXIMUM SPECIAL TAX

1. Original Parcels in Improvement Area No. 5 at CFD Formation

Attachment 1 to this RMA identifies the Maximum Special Tax assigned to each Original Parcel in Improvement Area No. 5 for Fiscal Year 2018-19 based on the Expected Land Use(s) for each Parcel as of CFD Formation. After recordation of each Large Lot Map for property in Improvement Area No. 5, the Administrator shall review current maps and land use plans for the property within the Large Lot Map and, in consultation with the City Planning Department, reevaluate the Expected Land Uses for each of the Successor Parcels created by recordation of the Large Lot Map. Attachment 1 shall be updated to reflect the Assessor's Parcel numbers, Expected Land Uses, Net Acreage, and corresponding Maximum Special Tax assigned to each Parcel after applying the Base Special Tax to each Land Use on each Successor Parcel. If, based on changes to the Expected Land Uses within the Large Lot Map area, the Total Maximum Special Tax Revenue that could be generated in Improvement Area No. 5 is less than the Required Revenue, the Maximum Special Tax on each Successor Parcel created by the Large Lot

Map shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue based on Expected Land Uses within the Large Lot Map, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in the updated Attachment 1.

If, before or after the comprehensive review after recordation of a Large Lot Map, there are any other Land Use Changes proposed for any Parcel prior to final subdivision of the Parcel, the Administrator shall determine the Maximum Special Tax that would be assigned to the Parcel if the Base Special Tax was applied to the Net Acreage of Residential Property and/or Non-Residential Property on the Parcel after the proposed Land Use Change. If, based on this Maximum Special Tax calculation, the Total Maximum Special Tax Revenue would be less than the Required Revenue, the Maximum Special Tax for such Parcel shall be increased proportionately until the Total Maximum Special Tax Revenue is equal to the Required Revenue. If there is an increase in the Total Maximum Special Tax Revenue after the Land Use Change, the Administrator shall reflect such increased Total Maximum Special Tax Revenue in an updated Attachment 1.

2. Successor Parcels that are not SFD Lots

The Maximum Special Tax for each Original Parcel for Fiscal Year 2018-19 is identified in Attachment 1, which may be updated as set forth above. After such update, if an Original Parcel is subdivided or reconfigured and none of the Successor Parcels are SFD Lots, the Administrator shall assign the Maximum Special Tax to the Successor Parcels by applying the following steps:

- Step 1:** Based on reference to Land Use plans and, if needed, coordination with the City Planning Department, determine the Net Acreage of each Land Use on each Successor Parcel created from subdivision or reconfiguration of the Original Parcel.
- Step 2:** For each Successor Parcel, multiply the Base Special Tax for each Land Use by the Net Acreage of each Land Use determined in Step 1, and calculate the aggregate Maximum Special Tax that could be generated from the Successor Parcels created from subdivision of the Original Parcel.
- Step 3:** If the aggregate Maximum Special Tax for all Successor Parcels is greater than or equal to the Maximum Special Tax that had been assigned to the Original Parcel before it was subdivided, the Maximum Special Tax for each Successor Parcel shall be the amount determined in Step 2, and the Administrator shall recalculate the Total Maximum Special Tax Revenue to include the increased Maximum Special Tax. If the aggregate Maximum Special Tax for all Successor Parcels is less than the Maximum Special Tax assigned to the Original Parcel, and such reduction would reduce the Total Maximum Special Tax Revenue to an amount less than the Required Revenue, then the Administrator shall increase the amount calculated for each Successor Parcel in Step 2 proportionately until the Total Maximum Special Tax Revenue after the subdivision is equal to the Required Revenue.

Step 4: If all or a portion of the Original Parcel was subdivided to create individual Parcels (which may be Airspace Parcels) for Units on Single Family Attached Property, divide the Maximum Special Tax assigned to the Original Parcel (or portion thereof), as may be adjusted pursuant to Step 3 above, by the total number of Units that will be built on the Original Parcel (or portion thereof) to calculate the Maximum Special Tax that will be assigned to each Parcel.

Upon each application of this Section C.2, there shall be no reduction in the Required Revenue unless there has been a prepayment for one or more Parcels within Improvement Area No. 5.

3. Successor Parcels of which All or Some are SFD Lots

Upon subdivision of an Original Parcel into Successor Parcels, of which all or some are SFD Lots, the Administrator shall apply the following steps to determine the Maximum Special Tax for each Parcel:

Step 1: Determine the Net Acreage and Expected Land Use for each Successor Parcel created from subdivision of the Original Parcel. Apply the steps set forth in Section C.2 above to allocate the Maximum Special Tax from the Original Parcel to each Successor Parcel.

Step 2: Apply one of the following EDU Factors to each SFD Lot based on the square footage of each lot, and calculate the aggregate EDUs from all SFD Lots created by subdivision of the Original Parcel:

<u>Lot Size</u>	<u>EDU Factor</u>
Greater than 8,000 square feet	1.25
6,501-8,000 square feet	1.14
5,001-6,500 square feet	1.00
3,501-5,000 square feet	0.87
2,800-3,500 square feet	0.81
Less than 2,800 square feet	0.73

Step 3: *For SFD Lots*, sum the Maximum Special Tax assigned in Step 1 to all Successor Parcels that are SFD Lots, and divide this amount by the total EDUs determined in Step 2 to calculate a Maximum Special Tax per EDU. Multiply the Maximum Special Tax per EDU by the EDU Factor for each SFD Lot to determine the Maximum Special Tax for each Successor Parcel that is a SFD Lot. This Maximum Special Tax shall be the Maximum Special Tax for the Parcel when it is Undeveloped Property and when it becomes Developed Property.

For Successor Parcels that are not SFD Lots, the Maximum Special Tax shall be the amount determined for each Parcel pursuant to Step 1 above.

At no time shall the distribution of the Maximum Special Tax upon subdivision or reconfiguration of a Parcel result in Total Maximum Special Tax Revenue that is lower than the Required Revenue. If an Original Parcel is subdivided, and the Successor Parcels include a combination of Land Uses, the Administrator shall delineate the Maximum Special Tax to the Taxable Property created by the subdivision based on the best information available at the time, and based on application of Sections C.2 and C.3 of this RMA.

4. Parcels of Taxable Public Property

The Maximum Special Tax for a Parcel of Taxable Public Property shall be equal to the Maximum Special Tax that applied prior to the Parcel becoming Public Property.

5. Annexations

If, in any Fiscal Year, a Parcel or Parcels annex into Improvement Area No. 5, the Administrator shall, in coordination with the City Planning Department, identify the Expected Land Uses for the Parcel(s). The Administrator shall then (i) apply the Base Special Tax to each Land Use to calculate the Maximum Special Tax for the Parcel, (ii) add the Maximum Special Tax for the Parcel to the Total Maximum Special Tax Revenue, and (iii) levy the Special Tax on the Parcel(s) pursuant to this RMA in the next Fiscal Year and all future Fiscal Years unless a prepayment is received to fully release the Parcel(s) from the Special Tax obligation.

D. ADJUSTMENTS TO THE MAXIMUM SPECIAL TAX

1. Escalation of Maximum Special Tax

Beginning July 1, 2019 and each July 1 thereafter, the Maximum Special Tax for each Parcel in Improvement Area No. 5 shall be increased by two percent (2%) of the amount in effect in the prior Fiscal Year.

2. Conversion of a Parcel of Public Property to Private Use

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, which shall include a lease to a private entity allowing the property to be taxed pursuant to Section 53340.1 of the Act, such Parcel shall be subject to the levy of the Special Tax. The Maximum Special Tax for each such Parcel shall be determined based on applying the Base Special Tax to the Net Acreage of each Expected Land Use on the Parcel.

E. METHOD OF LEVY OF THE SPECIAL TAX

1. Each Fiscal Year prior to the time at which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture,

the Administrator shall levy the Maximum Special Tax on all Parcels of Taxable Property.

2. Each Fiscal Year beginning with the Fiscal Year in which the Administrative Expense Reimbursement Amount has been repaid pursuant to the terms of the Indenture and the Debt Service Reserve Funding Amount has been fully funded pursuant to the terms of the Indenture, the Administrator shall determine the Special Tax Requirement and levy the Special Tax on all Parcels of Taxable Property as follows:

Step 1: The Special Tax shall be levied Proportionately on each Parcel of Developed Property, other than Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property is equal to the Special Tax Requirement.

Step 2: If additional revenue is needed after Step 1 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Special Tax for each Parcel until the amount levied on Developed Property and Undeveloped Property is equal to the Special Tax Requirement.

Step 3: If additional revenue is needed after Step 2 to pay the Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Taxable Public Property, up to 100% of the Maximum Special Tax for each Parcel.

F. MANNER OF COLLECTION OF SPECIAL TAX

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that the City may directly bill, collect at a different time or in a different manner, and/or collect delinquent Special Taxes through foreclosure or other available methods.

The Special Tax shall be levied and collected until principal and interest on the Bonds have been repaid, costs of constructing or acquiring Authorized Facilities from Special Tax proceeds have been paid, and all Administrative Expenses have been paid or reimbursed. However, in no event shall a Special Tax be levied after Fiscal Year 2060-61, except that a Special Tax that was lawfully levied in or before the Fiscal Year 2060-61 and remains delinquent may be collected in subsequent Fiscal Years. Under no circumstances may the Special Tax on a Parcel in residential use be increased in any Fiscal Year as a consequence of delinquency or default in payment of the Special Tax levied on another Parcel or Parcels by more than ten percent (10%) above the amount that would have been levied in that Fiscal Year had there never been any such delinquencies or defaults.

G. EXEMPTIONS

Notwithstanding any other provision of this RMA, no Special Tax shall be levied on the following: (i) Public Property, except Taxable Public Property, (ii) Parcels that are designated as permanent open space or common space on which no structure is permitted to be constructed, (iii) Parcels owned by a public utility for an unmanned facility, or (iv) Parcels subject to an easement that precludes any use on the Parcel other than that permitted by the easement. In addition, no Special Tax shall be levied on any Parcel that has fully prepaid the Special Tax obligation assigned to the Parcel, as determined pursuant to the formula set forth in Section H below. Notwithstanding the foregoing, if a Special Tax has been levied on a Parcel in any Fiscal Year, and the Parcel subsequently meets the criteria for any of the exempted categories above, the Parcel shall remain subject to the Special Tax levy unless and until a prepayment is made to release the Parcel from its Special Tax obligation or, in the case of Public Property, the City determines that the parcel can be exempted from the Special Tax after making the determinations listed in the definition of Taxable Public Property above.

If, in any Fiscal Year, a Parcel of Public Property is converted to private use, such Parcel shall be subject to the levy of Special Taxes pursuant to Section D.2 above.

H. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section H:

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

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

1. Full Prepayment

The Special Tax obligation applicable to a Parcel in Improvement Area No. 5 may be fully prepaid and the obligation of the Parcel to pay the Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Parcel at the time of prepayment. An owner of a Parcel intending to prepay the Special Tax obligation shall provide the City with written notice of intent to prepay. Within 30 days of receipt of such written notice, the City or its designee shall notify such owner of the prepayment amount for such Parcel. Prepayments must be made not less than 50 days prior to any redemption date for the Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

Bond Redemption Amount
plus Redemption Premium
plus Defeasance Requirement
plus Administrative Fees and Expenses
less Reserve Fund Credit
equals Prepayment Amount

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

- Step 1:** Determine the total Maximum Special Tax that could be collected from the Parcel prepaying the Special Tax in the Fiscal Year in which prepayment would be received by the City.
- Step 2:** Divide the Maximum Special Tax computed pursuant to Step 1 by the Total Maximum Special Tax Revenue for the Fiscal Year in which prepayment would be received by the City.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).
- Step 4:** Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).
- Step 5:** Compute the amount needed to pay interest on the Bond Redemption Amount starting with the last Outstanding Bond interest payment date on which interest has been or will be paid by Special Taxes already levied until the earliest redemption date for the Outstanding Bonds.
- Step 6:** Compute the amount of interest the City reasonably expects to derive from reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Outstanding Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 7:** Take the amount computed pursuant to Step 5 and subtract the amount computed pursuant to Step 6 (*the "Defeasance Requirement"*).
- Step 8:** Determine the costs of computing the prepayment amount, redeeming Outstanding Bonds, and recording any notices to evidence the prepayment and redemption (*the "Administrative Fees and Expenses"*).

- Step 9:** If and to the extent so provided in the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “*Reserve Fund Credit*”).
- Step 10:** The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 4, 7, and 8, less the amount computed pursuant to Step 9 (the “*Prepayment Amount*”).

Once a full prepayment of a Parcel’s Special Tax obligation has been received, a Notice of Cancellation of Special Tax Lien shall be recorded against the Parcel to reflect the discharge of the Parcel’s obligation to pay the Special Tax. However, a Notice of Cancellation of Special Tax Lien shall not be recorded until all Special Taxes levied on the Parcel in the current or prior Fiscal Years have been collected.

2. Partial Prepayment

A partial prepayment may be made in an amount equal to any percentage of full prepayment desired by the party making a partial prepayment, except that the full amount of Administrative Fees and Expenses determined in Step 8 shall be included in the partial prepayment. The Maximum Special Tax that can be levied on a Parcel after a partial prepayment is made shall be determined as follows:

- Step 1.** Calculate the full prepayment (not including the amount collected for Administrative Fees and Expenses) that would be due from the Parcel if the entire Special Tax obligation were being prepaid pursuant to Section H.1 above.
- Step 2.** Divide the partial prepayment amount for the Parcel (not including the amount collected for Administrative Fees and Expenses) by the amount computed in Step 1 to determine a percentage.
- Step 3.** Subtract the percentage computed in Step 2 from 100% to determine the “Remaining Percentage”.
- Step 4.** Multiply the Remaining Percentage from Step 3 by the Maximum Special Tax for the Parcel to determine the new Maximum Special Tax that will be in effect for the Parcel after the partial prepayment is applied.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the Special Tax, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as

such correction does not materially affect the levy and collection of Special Taxes and any security for the Bonds. The City, upon the request of an owner of land within the CFD which is not Developed Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the Total Maximum Special Tax Revenue that can be collected from the Parcel.

**Attachment 1
Improvement Area #5 of the
City of Lathrop CFD No. 2018-1
Expected Land Uses and Maximum Annual Special Tax per Parcel
(Fiscal Year 2018-19)**

APN	Net Acreage	Expected Land Use	Base Special Tax /1	Total Maximum Annual Special Tax Revenue /1
191-200-16	11.2	Non-Residential	\$4,000	\$44,800
191-200-17	18.3	Non-Residential	\$4,000	\$73,200
191-200-18	24.3	Non-Residential	\$4,000	\$97,200
191-210-10	19.0	Non-Residential	\$4,000	\$76,000
191-200-19	8.4	Pond/Sprayfield	\$0	\$0
191-210-07	14.4	Pond/Sprayfield	\$0	\$0
191-210-08	18.6	Pond/Sprayfield	\$0	\$0
191-210-09	19.5	Pond/Sprayfield	\$0	\$0
Total Maximum Annual Special Tax Revenue /1				\$291,200

/1 Beginning July 1, 2019, and each July 1 thereafter, the Base Special Tax, Maximum Annual Special Tax, and Total Maximum Annual Special Tax Revenue shall increase by 2% of the amount in effect in the prior Fiscal Year.

Goodwin Consulting Group, Inc.

6/20/2018

EXHIBIT F

**CITY OF LATHROP
Community Facilities District No. 2018-1
(Central Lathrop Specific Plan Facilities)**

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

The Mello-Roos Community Facilities Act of 1982 (the "Act") authorizes the creation of a Community Facilities District to finance public facilities, within or of benefit to the land in the district and/or to pay a special tax obligation and thereby provide redemption of indebtedness secured by such special tax. The CFD is proposed to be formed to pay the special tax obligation of the City's Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) (the "2006 CFD") and thereby provide redemption of the City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds, Series 2006 (the "2006 Bonds").

The facilities authorized for the 2006 CFD and related costs that were financed in whole or in part pursuant to the proceedings for the formation of the 2006 CFD included roadways and related improvements, wastewater system facilities and related improvements, potable water system facilities and related improvements, drainage system facilities and related improvements, recycled water system facilities and related improvements, park and open space facilities, habitat mitigation improvements and other public facilities necessary to meet development requirements.

In addition to the above purposes, the CFD may pay or provide financing for all administrative costs as allowed by the Act, including but not limited to costs associated with the creation of the CFD, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, all "Administrative Expenses" as set forth in the Rate and Method of Apportionment of Special Tax for each Improvement Area and all costs otherwise incurred to carry out the authorized purposes of the CFD.

EXHIBIT G

FORM OF

NOTICE OF PUBLIC HEARING ON PROPOSED
COMMUNITY FACILITIES DISTRICT NO. 2018-1
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)
CITY OF LATHROP, SAN JOAQUIN COUNTY, CALIFORNIA

Notice is hereby given City of Lathrop is considering the formation of a community facilities district (the "CFD") and five improvement areas therein (each, an "improvement area") under the authority of the Mello-Roos Community Facilities Act of 1982, as amended, to fund certain public facilities related to new development within the City of Lathrop, and to incur bonded indebtedness of the CFD.

This Notice contains a brief summary of the proposal, but you are referred to the City Council's Resolution of Intention to Form a Community Facilities District and Levy a Special Tax (No. 18-_____, adopted _____, 2018) and its Resolution of Intention to Incur Bonded Indebtedness (No. 18-_____, adopted _____, 2018) for details of the proposal.

The proposal is to subject the property within the CFD to a special tax which will be used to pay for financing public facilities as authorized for the CFD, including paying principal and interest on bonds used to finance or refinance the facilities, and will expire when the bonds are retired and all eligible facilities are financed. The proceeds of the bonds will be used to pay for the facilities and other expenses set forth in the resolutions referred to in the preceding paragraph. A map showing the land proposed to be included in the CFD and each improvement area therein is on file with the City Clerk.

The proposal also includes authority to issue bonds for each improvement area, to be repaid by the special tax, in amounts specified in the resolution. Neither the City of Lathrop nor any person outside the CFD has any liability for the special tax or the bonds. The security for the bonds is limited to the property subject to the special tax within the applicable improvement area within the CFD.

In order to confer the authority upon the City Council of the City of Lathrop to levy the Special Tax and to issue the bonds, a public hearing must be held on the proposal, then the City Council will decide whether to form the CFD and designate the improvement areas therein, and finally the qualified electors within each improvement area must approve the proposal by a two-thirds vote. Where the CFD is uninhabited (as is the case here) the qualified electors are, pursuant to law, the owners of property within each improvement area in the CFD.

This is the notice of the public hearing. The public hearing will be held during the City Council meeting on Monday, _____, 2018, at 7:00 p.m. or as soon as possible thereafter, in the City Hall, Council Chambers, 390 Towne Center Drive, Lathrop, California.

At the hearing, the testimony of all interested persons or potential special taxpayers for or against the formation of the CFD and the designation of the improvement areas, the authorization to levy the special tax, and the authorization to issue the bonds will be heard. If written protests against the proposed CFD are delivered to the City Clerk at or before the time

set for the hearing by either registered voters residing within, or the owners of property within, the proposed CFD, they will be counted toward a possible majority protest.

Written protests by the owners of a majority of the land which would be subject to special taxation within each proposed respective Improvement Area will require the suspension of proceedings for at least one year. Written protests must be filed with the City Clerk at or before the time fixed for the hearing. If such protests are directed only against certain elements of the proposed improvements or proposed special tax, and if such protests constitute a majority protest, only those elements shall be deleted from the proceedings.

If the Council, after the public hearing, determines that a majority protest under Section 53324 of the California Government Code was not made at the hearing, the Council may conduct an election by mailed or hand-delivered ballot to levy a special tax.

Questions should be directed to the undersigned, telephone (209) 941-7228.

Dated: _____, 2018

City Clerk
City of Lathrop

ATTACHMENT 4

**RESOLUTION OF INTENT TO INCUR BOND
INDEBTEDNESS FOR CFD 2018-1**

RESOLUTION NO. _____

**A RESOLUTION OF INTENTION TO INCUR BONDED INDEBTEDNESS
IN AND FOR EACH IMPROVEMENT AREA
OF A COMMUNITY FACILITIES DISTRICT**

**CITY OF LATHROP
Community Facilities District No. 2018-1
(Central Lathrop Specific Plan Facilities)**

WHEREAS, the City Council (the "Council") of the City of Lathrop (the "City") has this date adopted its "Resolution of Intention to Form a Community Facilities District and Five Improvement Areas Therein and Levy a Special Tax," stating its intention to form the "City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities)" (the "CFD") and designate Improvement Area No. 1, Improvement Area No. 2, Improvement Area No. 3, Improvement Area No. 4, and Improvement Area No. 5 therein (each an "Improvement Area"), pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code (the "Act"), for the purpose of financing and refinancing certain public improvements (the "Facilities"), as further provided in that Resolution; and

WHEREAS, this Council estimates the amount required for the financing of the costs of the Facilities to be the sum of not to exceed \$45,800,000; and

WHEREAS, in order to finance a portion of the costs of the Facilities it is necessary to incur bonded indebtedness on behalf of each Improvement Area within the CFD.

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Bonded Indebtedness. The Council declares and finds that in order to finance and refinance a portion of the Facilities, it is necessary to incur a bonded indebtedness within the boundaries of each proposed Improvement Area in the amount of up to: \$13,630,000 for Improvement Area 1, \$8,945,000 for Improvement Area 2, \$16,625,000 for Improvement Area 3, \$6,565,000 for Improvement Area 4, and \$4,970,000 for Improvement Area 5, to be issued as bonds or notes in multiple series at such time as the Council deems appropriate. Indebtedness subject to this limit shall only include indebtedness evidenced by bonds or notes and shall not include bonds described in Section 53364.2(e) of the Act.

2. Purpose. The bonded indebtedness is proposed to be incurred for the purpose of financing the costs of the Facilities, including acquisition and improvement costs and all costs incidental to or connected with the accomplishment of said purposes and of the financing thereof, as permitted by Section 53345.3 of the Act.

3. Terms of Bonds. It is the intention of the Council that any such bonds issued shall be made callable in accordance with the terms of the Act and as more specifically to be set forth in any resolution authorizing issuance of the bonds, and shall be issued in such series and bear interest payable semi-annually or in such other manner as the Council shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 40 years from the date of the

issuance thereof and shall be as more specifically set forth in any resolution authorizing the issuance of such bonds.

4. Future Refunding. In the event any series of bonds issued under the authorization is refunded to produce savings meeting the requirement of Section 53362.5 of the Act, all or a portion of the savings achieved through the issuance of refunding bonds may be used to finance Facilities insofar as the savings component provides capacity for bonded indebtedness in excess of that being refunded, and such additional bonded indebtedness attributable to the savings component shall not reduce and may exceed the amount of bonded indebtedness authorized herein.

5. Public Hearing. The Council hereby sets Monday, October 8, 2018, at 7:00 p.m. or as soon as possible thereafter, in the City Hall, Council Chambers, 390 Towne Center Drive, Lathrop, California, as the time and place for a hearing by the Council on the proposed bond issue. At that time and place any persons interested, including any persons owning property in the CFD, will be heard.

6. Notice of Hearing. The City Clerk is hereby directed to cause notice of said public hearing to be given by one-time publication in a newspaper of general circulation in the area of the CFD. The publication of said notice shall be completed at least 7 days before the date herein set for said public hearing. Such notice shall be substantially in the form specified in Section 53346 of the Act, with the form summarizing the provisions hereof hereby specifically approved.

7. Effectiveness. This Resolution shall take effect upon its adoption.

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Lathrop at a meeting held on the 13th day of August, 2018, by the following vote:

AYES:

NOES:

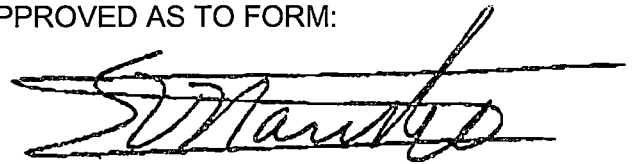
ABSTAIN:

ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

A handwritten signature in black ink, appearing to read 'S Navarrete', is written over a horizontal line.

Teresa Vargas, City Clerk

Salvador Navarrete, City Attorney

ATTACHMENT 5

RESOLUTION OF INTENT TO ESTABLISH CFD 2018-2

RESOLUTION NO. _____

**A RESOLUTION OF INTENTION TO ESTABLISH
A COMMUNITY FACILITIES DISTRICT AND LEVY A SPECIAL TAX**

**CITY OF LATHROP
Community Facilities District No. 2018-2
(Central Lathrop Specific Plan Facilities)**

WHEREAS, on June 6, 2006, the City Council (the "Council") of the City of Lathrop (the "City") adopted Resolution No. 06-2164, entitled "A Resolution of Formation of Community Facilities District and to Levy Special Tax in Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure)" which established the City's Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) (the "2006 CFD") and, pursuant to a vote of the then qualified electors of the 2006 CFD, the City is authorized to levy a Special Tax therein and issued its City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds, Series 2006 (the "2006 Bonds") on behalf of the 2006 CFD for the purpose of financing improvements of benefit to land in the 2006 CFD; and

WHEREAS, the land in a portion of the 2006 CFD has been acquired by Saybrook CLSP, LLC, a Delaware limited liability company and Lathrop Land Acquisition, LLC, a Delaware limited liability company (together, the "Landowners"), and the Landowners have requested that the special tax obligation of the 2006 CFD be deemed prepaid upon participation by the Landowners in two new community facilities districts to be established for the purpose of refinancing the 2006 Bonds, all pursuant to a "Restructuring Agreement for the Community Facilities District No. 2006-1" (the "Restructuring Agreement") by and among the City, the 2006 Trustee and the Landowners, which the parties thereto have determined is a mutually beneficial resolution of the delinquency issues pertaining to the CFD and which the parties expect will meet the needs of the current development plan of land within the two new community facilities districts; and

WHEREAS, the Restructuring Agreement provides that the Council conduct proceedings under the Act to establish two new community facilities districts with boundaries that encompass a portion of the parcels in the 2006 CFD and to authorize and approve the levy of a special tax on land within such new community facilities districts, and that satisfaction of obligations under and as contemplated by the Restructuring Agreement shall constitute prepayment of the special taxes, including any interest and penalties thereon, of the 2006 CFD and the termination of all special tax obligations associated with the 2006 CFD; and

WHEREAS, in accordance with such request of the owner of the land proposed to be included in the two new community facilities districts, the Council desires to proceed with the establishment of Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities) (the "CFD") in order to restructure indebtedness issued to finance costs of public infrastructure necessary or incidental to development and financed by the 2006 CFD, to facilitate the prepayment of a portion of and a waiver and termination of all remaining and past due and delinquent special taxes special taxes (including all penalties and interest) on all parcels within the 2006 CFD, certain of which parcels are proposed to be included in the CFD, and to thereby cause a repayment of outstanding 2006 Bonds in accordance with the Restructuring Agreement; and

WHEREAS, under the Mello-Roos Community Facilities Act of 1982, as amended (the "Act"), Chapter 2.5 of Part 1 of Division 2 of Title 5, commencing at Section 53311, of the California Government Code, this Council is authorized to establish a community facilities district, and to act as the legislative body for a community facilities district; and

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Authority. It is proposed to establish a community facilities district under the terms of the Act to finance and refinance costs of public facilities necessary or incidental to new development in the City, which public improvements have been constructed and were financed by the 2006 Bonds. The Council hereby finds that a restructure of the 2006 CFD is in the best interests of the City, the owners of land in the 2006 CFD and holders of the 2006 Bonds, and it is necessary and appropriate to restructure the 2006 Bonds and unpaid special tax obligations of the 2006 CFD by establishing the CFD and providing a means for the payment of special taxes of the 2006 CFD.

2. Name of CFD. The name proposed for the community facilities district is "City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities)."

3. Boundaries Described. The proposed boundaries of the CFD are shown on the boundary map on file with the City Clerk, which the Council hereby approves as the map describing the extent of the territory included in the proposed CFD. The Council finds that the map is in the form and contains the matters prescribed by Section 3110 of the California Streets and Highways Code. The Council hereby directs the City Clerk to certify the adoption of this resolution on the face of the map, and to file a copy of the map in the office of the City Clerk in accordance with Section 3111 of the California Streets and Highways Code and within 15 days of the date of adoption of this resolution but in no event later than 15 days prior to the public hearing provided for herein, transmit the map to the County Recorder for recording in the Book of Maps of Assessment and Community Facilities Districts in the office of the County Recorder of the County of San Joaquin.

4. Facilities. The CFD is proposed to be formed to pay the special tax obligation of the 2006 CFD and thereby provide redemption of the 2006 Bonds secured by such special tax. The type of public facilities financed by the 2006 CFD consist of those listed on Exhibit A hereto and hereby incorporated herein (the "Facilities"). The Council hereby finds and determines that the Facilities have been constructed and were financed by the 2006 CFD, and the Council hereby determines that a restructure of the 2006 CFD is in the public interest, and it is necessary and appropriate to refinance the unpaid special taxes of the 2006 CFD by establishing the CFD and providing for the payment of special taxes of the CFD as payment for the portion of the Facilities originally financed by the 2006 CFD.

5. Special Tax. Except to the extent that funds are otherwise available to the CFD to pay for the 2006 Bonds and obligations related thereto, a special tax (the "Special Tax") sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property within the CFD, will be levied annually and collected in such other manner as the Council or its designee shall determine, and the Council reserves the right, under Section 53340 of the Act, to utilize any method of collecting the Special Tax which it shall, from time to time, determine to be in the best interests of the City, including, but not limited to, direct billing by the City to the property owners and supplemental billing. The proposed rate and method of apportionment of the Special Taxes among the parcels of real property within the CFD, in sufficient detail to allow

each landowner within the CFD to estimate the maximum amount such owner will have to pay, are described in the Rate and Method of Apportionment attached hereto as Exhibit B, and hereby incorporated herein (the "Rate and Method").

In the case of any Special Tax to pay for the Facilities to be levied against any parcel used for private residential purposes: (i) the maximum Special Tax shall be specified as a dollar amount which shall be calculated and thereby established not later than the date on which the parcel is first subject to the tax because of its use for private residential purposes and which amount shall not be increased over time over two percent (2%) per year; (ii) the tax year after which no further Special Tax subject to this sentence shall be levied or collected shall be as set forth in Exhibit B hereto; and (iii) under no circumstances will the Special Tax levied against any parcel used for private residential purposes be increased as a consequence of delinquency or default by the owner of any other parcel within the CFD by more than ten percent (10%). For the purposes hereof, a parcel is used for "private residential purposes" not later than the date on which an occupancy permit for private residential use is issued.

6. Exempt Property. Except as may otherwise be provided by law or by the rate and method of apportionment of the Special Tax for the CFD, all lands owned by any public entity, including the United States, the State of California and the City, or any departments or political subdivisions thereof, shall be omitted from the levy of the Special Tax. In the event that a portion of the property within the CFD shall become for any reason exempt, wholly or in part, from the levy of the Special Tax, this Council will, on behalf of the CFD, increase the levy to the extent necessary upon the remaining property within the CFD which is not exempt in order to yield the required debt service payments and other annual expenses of the CFD, if any, subject to the provisions of the rate and method of apportionment of the Special Tax.

7. Election. The levy of the Special Tax shall be subject to the approval of the qualified electors of the CFD at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed CFD, with each owner having one vote for each acre or portion of an acre such owner owns in the CFD. The Council hereby determines that the Facilities are necessary to meet increased demands placed upon local agencies as the result of development within the CFD.

8. Bonds. It is the intention of the Council, acting as the legislative body for the CFD, to cause bonds of the City to be issued for the CFD pursuant to the Act to finance or refinance in whole or in part the construction and/or acquisition of the Facilities. The bonds shall be issued in such series and bear interest payable in such manner as is this Council shall determine in connection with the issuance of bonds, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 40 years from the date of the issuance thereof.

9. CFD Report. The City's Director of Public Works (or deputy or designee thereof) as the officer having charge and control of the Facilities in and for the CFD, is hereby directed to study said proposed Facilities and to make, or cause to be made, and file with the City Clerk a report in writing (the "CFD Report") and to cause it to be on file at the public hearing, all as required by Section 53321.5 of the Act presenting at least the following:

- (a) A description of the Facilities by type which will be required to adequately meet the needs of the CFD.

(b) An estimate of the fair and reasonable cost of the Facilities including the cost of acquisition of lands, rights-of-way and easements, any physical facilities required in conjunction therewith and incidental expenses in connection therewith, including the costs of the proposed bond financing and all other related costs as provided in Section 53345.3 of the Act.

The CFD Report shall be made a part of the record of the public hearing specified below.

10. Public Hearing. The Council hereby sets Monday, October 8, 2018, at 7:00 p.m. or as soon as possible thereafter, in the City Hall, Council Chambers, 390 Towne Center Drive, Lathrop, California, as the time and place when and where the Council, as legislative body for the CFD, will conduct a public hearing on the establishment of the CFD, and consider and finally determine whether the public interest, convenience and necessity require the formation of the CFD and the levy of the Special Tax. At the hearing, testimony concerning the CFD, the extent of the CFD or the furnishing of the particular types of public facilities will be heard and protests will be considered from registered voters residing within the CFD, if any, and persons owning real property within the CFD. Written protests by the owners of a majority of the land which would be subject to special taxation within the proposed CFD will require the suspension of proceedings for at least one year. Written protests must be filed with the City Clerk at or before the time fixed for the hearing. If such protests are directed only against certain elements of the proposed improvements or proposed special tax, and if such protests constitute a majority protest, only those elements shall be deleted from the proceedings.

11. Notice of Hearing. The City Clerk is hereby directed to cause notice of the public hearing to be given by publication one time in a newspaper published in the area of the CFD. The publication shall be completed at least seven days before the date of the public hearing specified above. The notice shall be substantially in the form specified in Section 53322 of the Act, a sufficient form of which is attached hereto as Exhibit C.

12. Effectiveness. This Resolution shall take effect upon its adoption.

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Lathrop at a meeting held on the 13th day of August, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney

EXHIBIT A

CITY OF LATHROP Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities)

DESCRIPTION OF FACILITIES TO BE FINANCED BY THE CFD

The Mello-Roos Community Facilities Act of 1982 (the "Act") authorizes the creation of a Community Facilities District to finance public facilities, within or of benefit to the land in the district and/or to pay a special tax obligation and thereby provide redemption of indebtedness secured by such special tax. The CFD is proposed to be formed to pay the special tax obligation of the City's Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) (the "2006 CFD") and thereby provide redemption of the City of Lathrop Community Facilities District No. 2006-1 (Central Lathrop Specific Plan Phase 1 Infrastructure) Special Tax Bonds, Series 2006 (the "2006 Bonds").

The facilities authorized for the 2006 CFD and related costs that were financed in whole or in part pursuant to the proceedings for the formation of the 2006 CFD included roadways and related improvements, wastewater system facilities and related improvements, potable water system facilities and related improvements, drainage system facilities and related improvements, recycled water system facilities and related improvements, park and open space facilities, habitat mitigation improvements and other public facilities necessary to meet development requirements.

In addition to the above purposes, the CFD may pay or provide financing for all administrative costs as allowed by the Act, including but not limited to costs associated with the creation of the CFD, issuance of bonds, determination of the amount of taxes, collection of taxes, payment of taxes, all "Administrative Expenses" as set forth in the Rate and Method of Apportionment of Special Tax for each Improvement Area and all costs otherwise incurred to carry out the authorized purposes of the CFD.

EXHIBIT B

**RATE AND METHOD OF
APPORTIONMENT**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

**CITY OF LATHROP
COMMUNITY FACILITIES DISTRICT NO. 2018-2
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES)**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES

Special Taxes applicable to each Assessor's Parcel in the City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities) shall be levied and collected according to the tax liability determined by the City or its designee through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2018-2, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. 2018-2 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable Final Map or other parcel map recorded at the County Recorder's Office.

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

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any One-Time Special Tax Bonds, and the expenses of the City in carrying out its duties with respect to CFD No. 2018-2 and the One-Time Special Tax Bonds related thereto, including, but not limited to, the levy and collection of One-Time Special Taxes, the fees and expenses of its counsel, amounts needed to pay rebate to the federal government with respect to One-Time Special Tax Bonds, costs associated with complying with continuing disclosure requirements with respect to the One-Time Special Tax Bonds and the One-Time Special Taxes, costs of recording any notices to evidence payment of the One-Time Special Taxes, and all other costs and expenses of the City and County in any way related to administration of the CFD including any costs related to any dispute, litigation, settlement, or defense of any matter related to the CFD.

"Administrator" means the person or firm designated by the City to administer the One-Time Special Taxes according to this RMA.

"Airspace Parcel" means a parcel with an assigned Assessor's Parcel number that constitutes vertical space of an underlying land Parcel.

“Assessor’s Parcel” or “Parcel” means a lot or parcel, including an Airspace Parcel, shown on a County Assessor’s Parcel Map with an assigned County Assessor’s Parcel number.

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

“Association Property” means any property within CFD No. 2018-2 that is owned by a homeowners’ association or property owners’ association, excluding such property that is under the pad or footprint of a residential unit or building.

“CFD” or “CFD No. 2018-2” means the City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities).

“CFD Formation” means the date on which the Resolution of Formation for CFD No. 2018-2 was adopted by the City Council.

“CFD No. 2018-1” means the City of Lathrop Community Facilities District No. 2018-1 (Central Lathrop Specific Plan Facilities).

“CFD No. 2018-1 Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are secured by special tax revenues generated from any of the improvement areas within CFD No. 2018-1.

“City” means the City of Lathrop.

“City Council” means the City Council of the City of Lathrop.

“County” means the County of San Joaquin.

“Defaulted Parcel” means any Parcel of Taxable Property that is delinquent in payment of one or more installments of CFD No. 2018-1 special taxes at the time of an Event of Default.

“Event of Default” means, as to any Parcel, failure of such Parcel to pay any special tax of CFD No. 2018-1 when due.

“Final Levy Date” means the date that is 60 days prior to 10 years from the date of issuance of the CFD No. 2018-2 Bonds.

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

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

“Master Developer” means Lathrop Land Acquisition, LLC and any related entities, successors, or assigns.

“Net Proceeds” means, for a Parcel of Taxable Property, the sales price of such Parcel pursuant to a purchase/sale agreement between the Master Developer and an unrelated entity, less the sum of: (i) broker commissions paid to an entity unrelated to the seller, (ii) pro-rated ad valorem taxes, (iii) escrow fees and closing costs, (iv) the amount required to clear encumbrances recorded on title prior to CFD Formation, excluding non-monetary easements, agreements, covenants and restrictions customarily running with the land, as approved by the Administrator, (v) for the first 601 Residential Lots sold in the CFD, \$6,527.19 per Residential Lot on such Parcel and (vi) a share of Administrative Expenses, as determined by the Administrator.

“One-Time Special Tax” means either the One-Time Special Tax A or One-Time Special Tax B.

“One-Time Special Taxes” means both the One-Time Special Tax A and One-Time Special Tax B.

“One-Time Special Tax A” means a special tax that is (i) levied at close of escrow of a sale of a Parcel of Taxable Property pursuant to Sections C.1 and D.1 below, and (ii) used to pay One-Time Special Tax Bonds.

“One-Time Special Tax B” means a special tax that is (i) levied upon the occurrence of an Event of Default pursuant to Sections C.2 and D.2 below, and (ii) used to pay One-Time Special Tax Bonds.

“One-Time Special Tax Bonds” means bonds or other debt (as defined in the Act), whether in one or more series, which are at least partially secured by revenues from the One-Time Special Taxes.

“Outstanding One-Time Special Tax Bonds” means all Previously Issued One-Time Special Tax Bonds which remain outstanding, with the following exception: if a One-Time Special Tax has been paid by an Assessor’s Parcel, and a portion of the One-Time Special Tax will be used to redeem principal of the One-Time Special Tax Bonds (as determined by the Administrator), that anticipated redemption of principal shall not be counted in the total amount of Outstanding One-Time Special Tax Bonds.

“Previously Issued One-Time Special Tax Bonds” means all One-Time Special Tax Bonds that have been issued prior to the occurrence of an Event of Default.

“Public Property” means any property within the boundaries of CFD No. 2018-2 that is owned by or irrevocably offered for dedication to the federal government, State of California, County, City, or other local governments or public agencies. For purposes of this RMA, all Association Property shall also be categorized as Public Property.

“Residential Lot” means an individual residential lot, identified and numbered on a recorded Final Map, on which a building permit has been or is permitted to be issued for construction of a residential unit without further subdivision of the lot and for which no further subdivision of the lot is anticipated pursuant to an approved tentative map. For the purposes of this RMA, a Residential Lot may also be an individual residential lot that is anticipated to be created on a Parcel of Taxable Property in the future.

“RMA” means this Rate and Method of Apportionment of Special Taxes.

“Taxable Property” means, in any Fiscal Year, all Parcels within CFD No. 2018-2 that (i) are not exempt from the One-Time Special Taxes pursuant to law or Section F below, (ii) were owned by the Master Developer at CFD Formation, (iii) have been sold or are expected to be sold to an entity that is unrelated to the Master Developer, and (iv) have not previously paid a One-Time Special Tax, all as determined by the City.

B. DATA FOR ADMINISTRATION OF SPECIAL TAXES

1. One-Time Special Tax A

Upon notification of a pending sale of Taxable Property, the Administrator shall identify (i) the current Assessor’s Parcel numbers for the Taxable Property being sold, and (ii) the Net Proceeds anticipated to be generated from each Parcel. The Administrator may rely upon any reasonable source of information to make the determinations required in this Section B.1, including, but not limited to: the Master Developer or escrow agent involved in a sale of Taxable Property or the City.

2. One-Time Special Tax B

On an ongoing basis, the Administrator shall monitor payments of the Series 2018-1 Bonds to determine whether an Event of Default has occurred. Upon the occurrence of an Event of Default or on the Final Levy Date, the Administrator shall identify (i) the current Assessor’s Parcel Numbers and Acreage of each Defaulted Parcel, (ii) the total Acreage of Taxable Property remaining in CFD No. 2018-2, which shall not include the Acreage of any Parcel or portion thereof that previously paid a One-Time Special Tax, and (iii) the amount of Outstanding One-Time Special Tax Bonds. The Administrator may rely upon any reasonable source of information to make the determinations required in this Section B.2, including, but not limited to: the trustee(s) of the CFD No. 2018-1 Bonds, the City, or the County Tax Collector’s Office.

C. ONE-TIME SPECIAL TAXES

1. One-Time Special Tax A

The One-Time Special Tax A for a Parcel of Taxable Property in CFD No. 2018-2 shall be equal to the Net Proceeds from the sale of the Parcel.

2. One-Time Special Tax B

As of the date of the most recent Event of Default and on the Final Levy Date, the One-Time Special Tax B for each Defaulted Parcel shall be determined by application of the following steps:

- Step 1:** Determine the total Acreage of the Defaulted Parcel.
- Step 2:** Divide the Acreage determined in Step 1 by the total Acreage of Taxable Property remaining in CFD No. 2018-2.
- Step 3:** Multiply the quotient computed pursuant to Step 2 by the Outstanding One-Time Special Tax Bonds.
- Step 4:** Determine the total amount of Administrative Expenses to be collected. If the One-Time Special Tax B is being levied simultaneously on more than one Defaulted Parcel, this amount shall be divided between each Defaulted Parcel based on the relative Acreage of each Defaulted Parcel.
- Step 5:** The One-Time Special Tax B is equal to the sum of the amounts computed pursuant to Steps 3 and 4.

D. METHOD OF LEVY OF THE ONE-TIME SPECIAL TAXES

1. One-Time Special Tax A

Upon notification of a pending sale of one or more Parcels of Taxable Property, the Administrator shall determine the Net Proceeds anticipated to be generated from each Parcel. The One-Time Special Tax A shall then be levied separately on each Parcel to be sold.

2. One-Time Special Tax B

Upon the occurrence of an Event of Default, the Administrator shall determine which Parcels of Taxable Property are Defaulted Parcels. The One-Time Special Tax B shall then be levied separately on each Defaulted Parcel.

On the Final Levy Date, the Administrator shall determine which Parcels of Taxable Property have not previously paid a One-Time Special Tax. The One-Time Special Tax B shall then be levied separately on each such Parcel.

E. MANNER OF COLLECTION OF SPECIAL TAXES

1. One-Time Special Tax A

The One-Time Special Tax A shall be levied at the close of escrow of a sale of a Parcel of Taxable Property and shall be due and payable immediately. Upon payment in full of the One-Time Special Tax A for a given Parcel, the Administrator shall record, or cause to be recorded, a Notice of Cancellation of Special Tax Lien against the Parcel to reflect the discharge of the Parcel's obligation to pay both the One-Time Special Tax A and the One-Time Special Tax B.

2. One-Time Special Tax B

The One-Time Special Tax B shall be levied at the time of an Event of Default and upon the Final Levy Date, as soon as the determinations required in Sections C.2 and D.2 above can be made. The One-Time Special Tax B shall be levied by means of a One-Time Special Tax B bill sent directly to the owner of the Parcel via overnight mail, with a copy sent to the City. The One-Time Special Tax B bill shall be due and payable 30 days from the date of delivery. The One-Time Special Tax B shall have the same priority and bear the same penalties and interest after delinquency as do ad valorem property taxes. Upon payment in full of a One-Time Special Tax B for a given Parcel, the Administrator shall record a Notice of Cancellation of Special Tax Lien against the Parcel to reflect the discharge of the Parcel's obligation to pay both the One-Time Special Tax A and the One-Time Special Tax B.

F. EXEMPTIONS

Notwithstanding any other provision of this RMA, the One-Time Special Taxes shall not be levied on Public Property in CFD No. 2018-2. In addition, neither of the One-Time Special Taxes shall be levied on Parcels, or portions of Parcels, that have already paid one of the One-Time Special Taxes in a previous land sale or Event of Default.

I. INTERPRETATION OF SPECIAL TAX FORMULA

The City may, by resolution or ordinance, interpret, clarify, and/or revise this RMA to correct any inconsistency, vagueness, or ambiguity as it relates to the One-Time Special Taxes, method of apportionment, classification of properties, or any definition applicable to the CFD, as long as such correction does not materially affect the levy and collection of the One-Time Special Taxes and any security for the One-Time Special Tax Bonds. The City, upon the request of an owner of land within the CFD which is Taxable Property, may also amend this RMA in any manner acceptable to the City, by resolution or ordinance following a public hearing, upon the affirmative vote of such owner to such amendment and without the vote of owners of any other land within the CFD, provided such amendment only affects such owner's land and does not reduce the One-Time Special Taxes that can be collected from the Parcel.

EXHIBIT C

FORM OF

NOTICE OF PUBLIC HEARING ON PROPOSED COMMUNITY FACILITIES DISTRICT NO. 2018-2 (CENTRAL LATHROP SPECIFIC PLAN FACILITIES) CITY OF LATHROP, SAN JOAQUIN COUNTY, CALIFORNIA

Notice is hereby given that City of Lathrop is considering the formation of a community facilities district (the "CFD") under the authority of the Mello-Roos Community Facilities District Act of 1982, as amended, to fund certain public facilities related to new development within the City of Lathrop, and to incur bonded indebtedness of the CFD.

This Notice contains a brief summary of the proposal, but you are referred to the City Council's "A Resolution of Intention to Establish a Community Facilities District and Levy a Special Tax" (No. 18-_____, adopted _____, 2018) and its Resolution of Intention to Incur Bonded Indebtedness (No. 18-_____, adopted _____, 2018) for details of the proposal.

The proposal is to subject the property within the CFD to a special tax which will be used to pay for facilities authorized for the CFD, including paying principal and interest on bonds used to finance or refinance the facilities, and will expire when the bonds are retired and all eligible facilities are financed. The proceeds of the bonds will be used to pay for the facilities and other expenses set forth in the resolutions referred to in the preceding paragraph. A map showing the land proposed to be included in the CFD is on file with the City Clerk.

The proposal also includes authority to issue bonds for the CFD, to be repaid by the special tax, in amounts specified in the resolution. Neither the City of Lathrop nor any person outside the CFD has any liability for the special tax or the bonds. The security for the bonds is limited to the property subject to the special tax within the CFD.

In order to confer the authority upon the City Council of the City to levy the special tax and to issue the bonds, a public hearing must be held on the proposal, then the City Council will decide whether to form the CFD, and finally the qualified electors within the CFD must approve the proposal by a two-thirds vote. Where the CFD is predominantly uninhabited (as is the case here) the qualified electors are, pursuant to law, the owners of property within the CFD.

This is the notice of the public hearing. The public hearing will be held during the City Council meeting on _____, 2018 at 7:00 p.m., in the Lathrop City Hall Council Chambers located at 390 Towne Center Drive, Lathrop, California 95330.

At the hearing, the testimony of all interested persons or potential special taxpayers for or against the formation of the proposed community facilities district, the authorization to levy the special tax, and the authorization to issue the bonds will be heard. If written protests against the proposed CFD are delivered to the City Clerk at or before the time set for the hearing by either registered voters residing within, or the owners of property within, the proposed CFD, they will be counted toward a possible majority protest.

Written protests by the owners of a majority of the land which would be subject to special taxation within the proposed CFD will require the suspension of proceedings for at least one year. Written protests must be filed with the City Clerk at or before the time fixed for the hearing. If such protests are directed only against certain elements of the proposed improvements or proposed special tax, and if such protests constitute a majority protest, only those elements shall be deleted from the proceedings.

If this Council, after the public hearing, determines that a majority protest under Section 53324 of the Government Code was not made at the hearing, the Council may conduct an election by mailed ballot to levy a special tax.

Questions should be directed to the undersigned, telephone (209) 941-7228.

Dated: as of _____, 2018

City Clerk
City of Lathrop

ATTACHMENT 6

**RESOLUTION OF INTENT TO INCUR BOND
INDEBTEDNESS FOR CFD 2018-2**

RESOLUTION NO. _____

**A RESOLUTION OF INTENTION TO INCUR BONDED INDEBTEDNESS
IN AND FOR A COMMUNITY FACILITIES DISTRICT**

**CITY OF LATHROP
Community Facilities District No. 2018-2
(Central Lathrop Specific Plan Facilities)**

WHEREAS, the City Council (the "Council") of the City of Lathrop (the "City") has this date adopted its "Resolution of Intention to Establish a Community Facilities District and Levy a Special Tax," stating its intention to form the "City of Lathrop Community Facilities District No. 2018-2 (Central Lathrop Specific Plan Facilities)" (the "CFD") pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, Chapter 2.5 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act"), for the purpose of financing and refinancing certain public improvements (the "Facilities"), as further provided in that Resolution; and

WHEREAS, this Council estimates the amount required for the financing of the costs of the Facilities to be the sum of not to exceed \$27,500,000; and

WHEREAS, in order to finance a portion of the costs of the Facilities it is necessary to incur bonded indebtedness on behalf of the CFD, in the amount of not to exceed \$27,500,000.

NOW, THEREFORE, IT IS RESOLVED as follows:

1. Bonded Indebtedness. The Council declares and finds that in order to finance and refinance a portion of the Facilities, it is necessary to incur bonded indebtedness within the boundaries of the proposed CFD in the amount of up to \$27,500,000, to be issued as bonds or notes in multiple series at such time as the Council deems appropriate. Indebtedness subject to this limit shall only include indebtedness evidenced by bonds or notes and shall not include bonds described in Section 53364.2(e) of the Act.

2. Purpose. The bonded indebtedness is proposed to be incurred for the purpose of financing the costs of the Facilities, including acquisition and improvement costs and all costs incidental to or connected with the accomplishment of said purposes and of the financing thereof, as permitted by Section 53345.3 of the Act.

3. Terms of Bonds. It is the intention of the Council that any such bonds issued shall be made callable in accordance with the terms of the Act and as more specifically to be set forth in any resolution authorizing issuance of the bonds, and shall be issued in such series and bear interest payable semi-annually or in such other manner as the Council shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 40 years from the date of the issuance thereof and shall be as more specifically set forth in any resolution authorizing the issuance of such bonds.

4. Future Refunding. In the event any series of bonds issued under the authorization is refunded to produce savings meeting the requirement of Section 53362.5 of the Act, all or a portion of the savings achieved through the issuance of refunding bonds may be used to finance Facilities insofar as the savings component provides capacity for bonded indebtedness in excess

of that being refunded, and such additional bonded indebtedness shall not reduce and may exceed the amount of bonded indebtedness authorized herein.

5. Public Hearing. The Council hereby sets Monday, October 8, 2018, at 7:00 p.m. or as soon as possible thereafter, in the City Hall, Council Chambers, 390 Towne Center Drive, Lathrop, California, as the time and place for a hearing by the Council on the proposed bond issue. At that time and place any persons interested, including any persons owning property in the CFD, will be heard.

6. Notices of Hearing. The City Clerk is hereby directed to cause notice of said public hearing to be given by one-time publication in a newspaper of general circulation in the area of the CFD. The publication of said notice shall be completed at least 7 days before the date herein set for said public hearing. Such notice shall be substantially in the form specified in Section 53346 of the Act, with the form summarizing the provisions hereof hereby specifically approved.

7. Effectiveness. This Resolution shall take effect upon its adoption.

I hereby certify that the foregoing Resolution was regularly introduced and adopted by the City Council of the City of Lathrop at a meeting held on the 13th day of August, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk

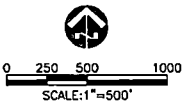
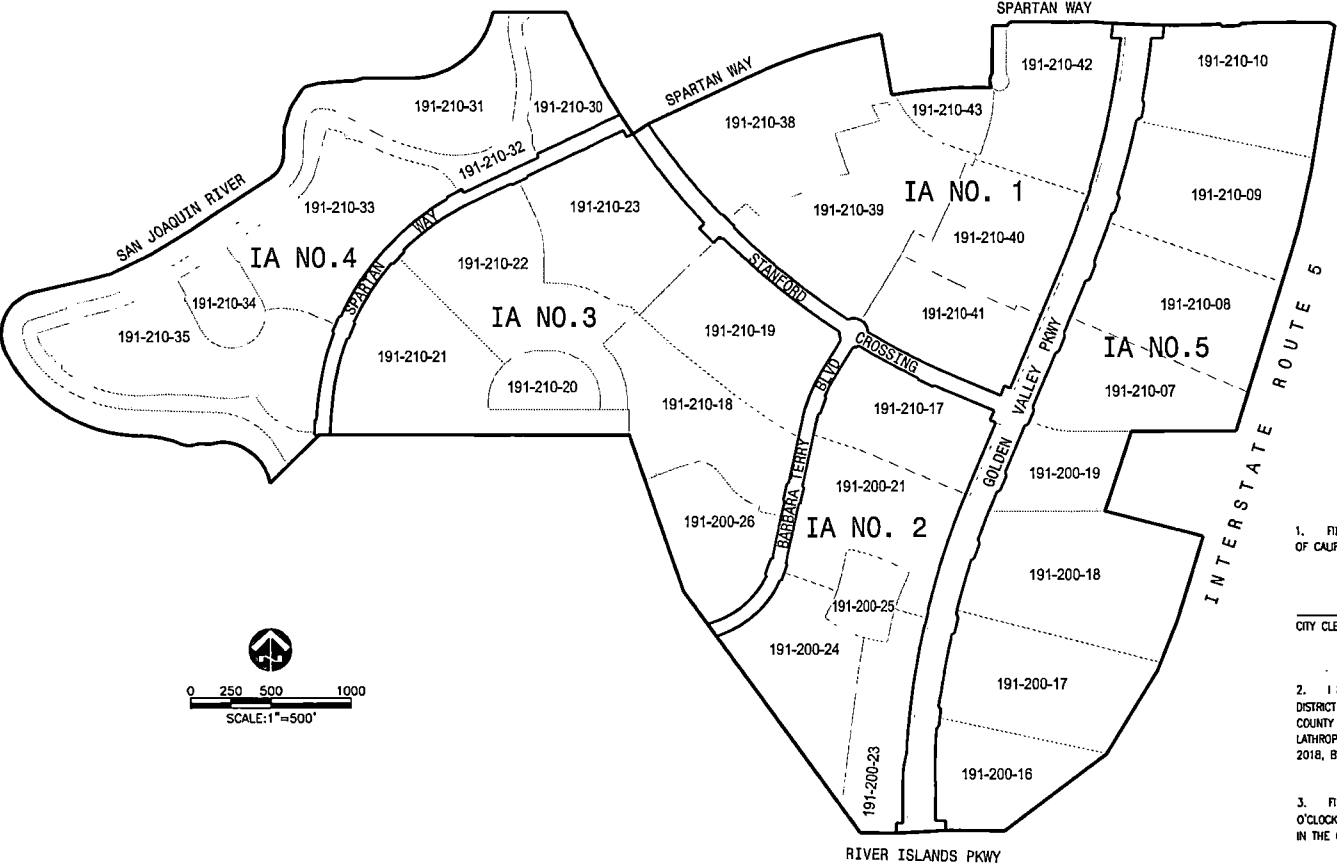


Salvador Navarrete, City Attorney

ATTACHMENT 7
BOUNDARY MAPS

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES
DISTRICT NO. 2018-01
(CENTRAL LATHROP SPECIFIC PLAN FACILITIES
AND IMPROVEMENT AREAS)

CITY OF LATHROP
COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA
JULY, 2018



1. FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA THIS _____ DAY OF _____, 2018

CITY CLERK, CITY OF LATHROP

2. I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2018-01 (CENTRAL LATHROP SPECIFIC PLAN PHASE 1 INFRASTRUCTURE) CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LATHROP, AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2018, BY ITS RESOLUTION NO. _____

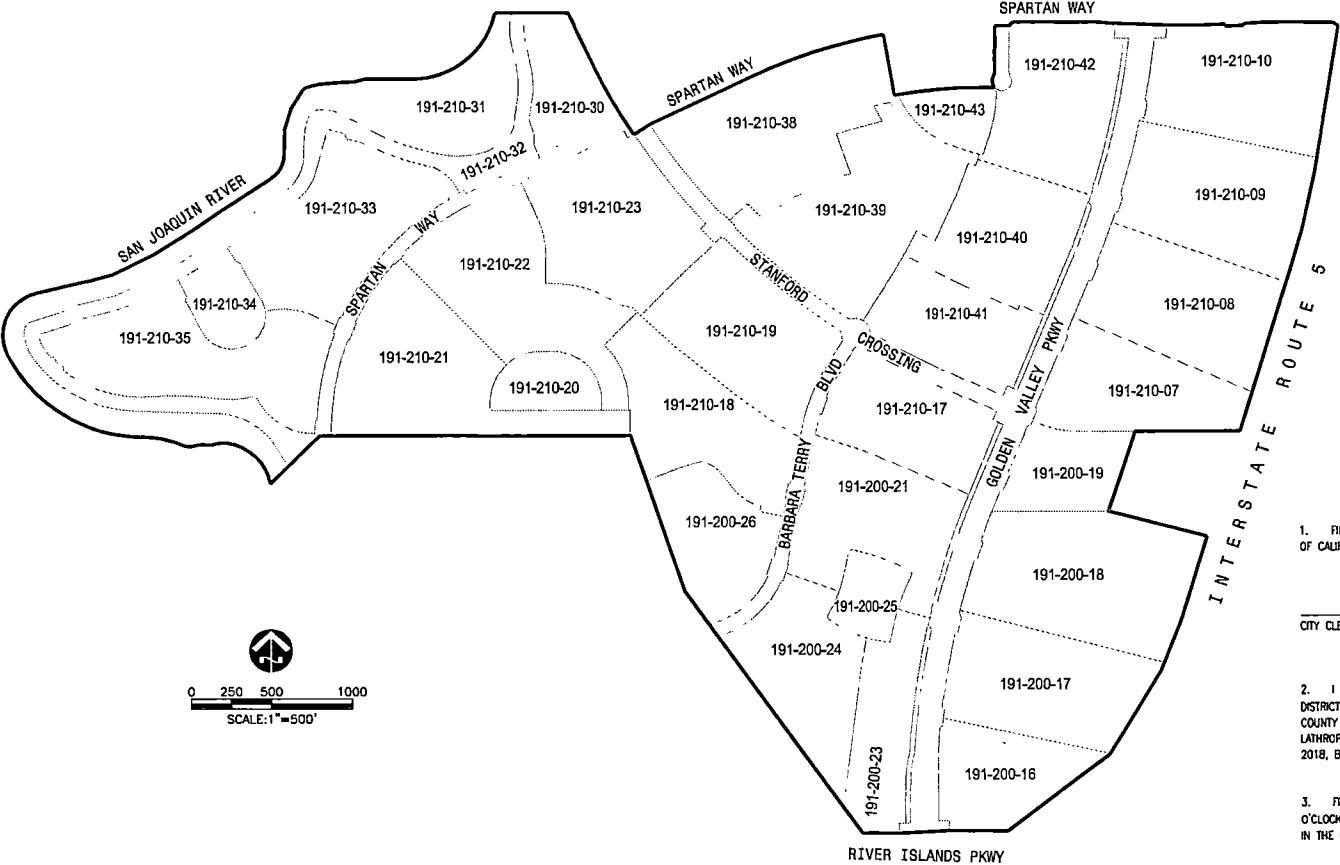
3. FILED THIS _____ DAY OF _____, 2018 AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

COUNTY RECORDER, COUNTY OF SAN JOAQUIN

Mackay & Somp
ENGINEERS PLANNERS SURVEYORS
31420 FRANKLIN DR., PLEASANTON, CA 94588 (925) 229-0000

PROPOSED BOUNDARIES OF COMMUNITY FACILITIES
 DISTRICT NO. 2018-02
 (CENTRAL LATHROP SPECIFIC PLAN FACILITIES)

CITY OF LATHROP
 COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA
 JULY, 2018



1. FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA THIS _____ DAY OF _____, 2018

 CITY CLERK, CITY OF LATHROP

2. I HEREBY CERTIFY THAT THE WITHIN MAP SHOWING PROPOSED BOUNDARIES OF COMMUNITY FACILITIES DISTRICT NO. 2018-02 (CENTRAL LATHROP SPECIFIC PLAN PHASE 1 INFRASTRUCTURE) CITY OF LATHROP, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA, WAS APPROVED BY THE CITY COUNCIL OF THE CITY OF LATHROP, AT A MEETING THEREOF, HELD ON THE _____ DAY OF _____, 2018, BY ITS RESOLUTION NO. _____

3. FILED THIS _____ DAY OF _____, 2018 AT THE HOUR OF _____ O'CLOCK _____ M. IN BOOK _____ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICT AT PAGE _____ IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF SAN JOAQUIN, STATE OF CALIFORNIA.

 COUNTY RECORDER, COUNTY OF SAN JOAQUIN

