

Exhibit "A"

Colton Joint Unified School District Community Facilities District No. 2

Rate & Method of Apportionment (The Special Tax Formula)

The Board of Education of the Colton Joint Unified School District (the "Board") sitting as the legislative body of Community Facilities District No. 2 of Colton Joint Unified School District ("CFD") shall levy and collect a special tax (the "Special Tax") applicable to each Assessor's Parcel located within the boundaries of CFD No. 2. The Special Tax will be levied at the applicable rate as specified herein. Each Assessor's Parcel that is classified as taxable property ("Taxable Property") shall be taxed as set forth below. All property located within the boundaries of CFD No. 2 shall be taxed for the purposes, to the extent and in the manner herein set forth unless exempted by law or by provisions of any of the Sections herein.

Section 1. Definitions

"Annual Maximum Special Tax" means the applicable maximum special tax to be levied on Taxable Property in each Fiscal Year pursuant to Section 3 herein. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at a rate of 2% per year. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Undeveloped Property is equal to \$2,650 per gross acre, adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index.

"Annexation Date" means for properties included within the boundaries of CFD No. 2 at the time of formation, the date on which the resolution establishing CFD No. 2 was adopted by the Governing Board of the Colton Unified School District and for properties which annex to CFD No. 2 subsequent to formation, the date on which the resolution certifying the annexation is adopted by the Governing Board of the Colton Unified School District.

"Annexation Tax Adjustment Factor" means the quotient derived by dividing (a) the amount of the Alternative Fee collected pursuant to Section of 65995.5 or 65995.7 of the California Government Code, also referred to as Level II or Level III Fees, applicable as of the Annexation Date by (b) 3.87. However, the Annexation Tax Adjustment Factor will not be less than one (1.0) and not more than three (3.0).

"Assessor's Parcel" means a parcel of land as designated on an official map of the San Bernardino County Assessor and for which a discrete identifying parcel number has been assigned.

"Assigned Special Tax Rate" means for Developed Property the applicable special tax rate determined in reference to Table II, adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index; provided, however, that the Assigned Special Tax Rate for a parcel shall increase at the rate of 2% per year following the Initial Maximum Special Tax Year for such period.

"Backup Special Tax Rate" means for a) CFD property located within TTM 15836 i) prior to the recordation of a final map for TTM 15836 containing at least 76 developable lots, for FY 2001/02 \$0.0358 per square foot of developable acreage, and ii) subsequent to recordation of a final map containing at least 76 developable lots, \$801 per dwelling unit or lot for FY 2001/02, and b) for all other CFD property, \$801 per dwelling unit or lot for FY 2001/02. The Backup Special Tax Rate ^Δ shall be adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index; provided, however, that the Backup Special Tax Rate for a parcel shall increase at the rate of 2% per year following the Initial Maximum Special Tax Year for such period.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the special taxes.

“Commercial and Industrial Property” means Developed Property for which the primary purpose and use of the improvements is not residential housing. Such property identified within the boundaries of the CFD will not be subject to the Annual Maximum Special Tax. Such property will be subject to any applicable statutory fees.

“Construction Cost Index” means the Marshall & Swift Index for Class ‘D’ Construction as tabulated by the Office of Public School Construction (OPSC). The annual increase in the index to be in effect for the current fiscal year shall be based upon the last available data as of March 1 of the preceding fiscal year; however any annual increase shall be not more than six-percent (6%) and not less than two-percent (2%). In the event that the Construction Cost Index set forth above is no longer available, the Appeals Board of the CFD shall select a suitable substitute index.

“CFD” means Community Facilities District No. 2 of the Colton Joint Unified School District.

“Developed Property” means Taxable Property for which a building permit has been issued prior to July 1 of the current Fiscal Year.

“District” means the Colton Joint Unified School District.

“Dwelling Unit” means any single-family detached (SFD), single-family attached (SFA), condominium, duplex, apartment unit or any other unit intended for residential occupancy.

“Fiscal Year” means the period of time commencing on July 1 of any year and ending the following June 30.

“Gross Acre” means the gross acreage of a particular parcel without consideration as to right-of-way, easements, streets, etc. For purposes of allocating the Special Tax to Undeveloped Property, the District shall use the gross acreage as it appears on the current assessor’s parcel map for such parcel. If the gross acreage for a parcel classified as Taxable Property does not appear on the assessor’s parcel map, the gross acreage which appears on a tentative or final subdivision map may be used.

“Initial CFD Properties” means the properties identified on the boundary map of the CFD at the time that the CFD was formed.

“Initial Maximum Special Tax Rate” means the Assigned Special Tax Rate and the Backup Special Tax Rate applicable to a parcel classified as Taxable Property for the fiscal year in which such parcel is first subject to taxation as Developed Property. For Initial CFD Properties, the Initial Maximum Special Tax Rate is equal to the greater of the Backup Special Tax Rate or the Assigned Special Tax Rate. For all other Taxable Property the Initial Maximum Special Tax Rate is equal to the product of (a) the greater of the Backup Special Tax Rate or the Assigned Special Tax Rate, and (b) the applicable Annexation Tax Adjustment Factor^Δ.

“Initial Maximum Special Tax Year” means the fiscal year in which a parcel classified as Taxable Property is first classified as Developed Property.

“Maximum Special Tax Rate” means the applicable maximum special tax to be levied on Taxable Property in each Fiscal Year pursuant to Section 3 herein. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at the rate of two-percent (2%) per year. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Undeveloped Property is equal to \$2,650 per gross acre, adjusted on July 1 of each year beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index.

“Residential Property” means Developed Property for which the primary use and purpose of the improvements is residential housing.

“Taxable Property” means Developed Property and Undeveloped Property that is not exempt from taxation pursuant to Section 6 and for which the special tax obligation has not been prepaid and/or permanently satisfied.

“Undeveloped Property” means Taxable Property that is not classified as Developed Property.

Section 2. Assignment of Developed Property to Land Use Classes

On or before July 1 of each year, the District shall classify or cause to be classified all Taxable Property within the boundaries of CFD No. 2 as either Developed Property or Undeveloped Property. For purposes of classification, property shall be designated as Developed Property if a building permit has been issued as of March 1 of the preceding Fiscal Year.

All Developed Property which is Residential Property shall be assigned to one of the designated land use classes listed below:

Table 1
Land Use Classification

<u>Land Use Class</u>	<u>Dwelling Type</u>	<u>Square Footage of Dwelling Unit</u>
A	Apartment	
B	SFD	< 1,250
C	SFD	1,250-1,499
D	SFD	1,500-1,749
E	SFD	1,750-1,999
F	SFD	2,000-2,249
G	SFD	2,250-2,499
H	SFD	2,500+
Non-Residential	N/A	N/A

In assigning each parcel of Developed Property which is Residential Property to a Land Use Class, the square footage to be used is equal to the square footage of each Dwelling Unit to be constructed on the assessor's parcel. The square footage of each Dwelling Unit shall be calculated by determining the habitable space of the improvement (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the District may rely on the square footage of the dwelling unit as identified on the building permit(s) issued by the County of San Bernardino or other issuing agency.

Each parcel of Taxable Property shall be subject to the levy of special taxes for a period not to exceed 30 years from the Initial Maximum Special Tax Year for such parcel.

Section 3. Initial and Annual Special Tax Rates

The ^Δ **Assigned** Special Tax Rates established for Developed Property for Fiscal Year 2001/02 are as follows:

Table II
Assigned Special Tax Rates

(Applicable to Initial CFD Properties Only)

<u>Land Use Class</u>	<u>FY 2001/02 Tax Rate (per D/U)</u>
A	\$ 372
B	455
C	567
D	660
E	753
F	846
G	939
H	1,079
Non-Residential	N/A

The Assigned Special Tax Rate for a parcel of Developed Property shall escalate on July 1 of each year beginning on July 1, 2002 at the rate of 2% per year.

All Undeveloped Property is subject to a special tax levy equal to the Maximum Special Tax for such fiscal year.

The Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at the rate of two-percent (2%) per year.

Section 4. Apportionment of the Special Tax

Commencing in Fiscal Year 2001-02 and for each Fiscal Year thereafter, the Board shall levy up to the Annual Maximum Special Tax Rate that is applicable to each Assessor's Parcel which is classified as Taxable Property in accordance with the following order of priority:

Step 1: Determine the aggregate special tax amount required for the purpose of:

- (a) paying principal and interest and other periodic costs on notes, bonds and any other indebtedness of CFD No. 2, anticipated special tax delinquencies based on the prior delinquency experience, the establishment or replenishment of bond reserve funds or other reserve funds, repayment of funds advanced to pay legal, financial and administrative costs associated with formation of the CFD, credit enhancement and liquidity facility fees and other incidental expenses, the proceeds of which are being used to finance the acquisition, design, construction, lease, equipping and/or improvement of educational sites and facilities, and costs attributable to refunding of such indebtedness,
- (b) paying directly for the acquisition, design, construction, lease, equipping and/or improvement of educational sites and facilities, and
- (c) paying the administrative costs associated with determining, calculating, levying and collecting the special tax for CFD No. 2.

Step 2: To the extent that current available funds are not sufficient to pay the amounts determined in Step 1, apportion the special tax up to the applicable Assigned Special Tax Rate for each parcel classified as Developed Property.

Step 3: To the extent that current available funds and special taxes to be collected pursuant to Step 2 are not sufficient to pay the amounts determined in Step 1, apportion the difference between the aggregate special tax amount determined pursuant to Step 1 the amount to be collected pursuant to Step 2 up to the Maximum Special Tax Rate on all Undeveloped Property that is not exempt from the Special Tax levy.

Step 4: To the extent that current available funds and special taxes to be collected pursuant to Step 2 and Step 3 are not sufficient to pay the amounts determined in Step 1, apportion the difference between the aggregate special tax amount determined pursuant to Step 1 and the amount to be collected pursuant to Step 2 and Step 3 up to the Backup Special Tax Rate on all Developed Property for which the Annual Maximum Special Tax Rate is equal to the Backup Special Tax Rate.

Section 5. Prepayment of the Special Tax

The owner of a parcel classified as Developed Property that is subject to the special tax may prepay the entire obligation by paying the calculated prepayment amount as well as any additional administrative expenses associated with the processing of the prepayment. The calculated prepayment amount of a particular parcel is equal to the parcel's Initial Maximum Special Tax Rate multiplied by the applicable Prepayment Factor as shown in Table III.

Table III

Prepayment Factors

<u>Years of Tax Remaining</u>	<u>Prepayment Factor</u>
30	15.241
29	15.308
28	15.359
27	15.394
26	15.410
25	15.407
24	15.381
23	15.332
22	15.256
21	15.153
20	15.018
19	14.850
18	14.647
17	14.404
16	14.118
15	13.787
14	13.406
13	12.972
12	12.480
11	11.925
10	11.303
9	10.608
8	9.835
7	8.977
6	9/-20
5	6.983
4	5.831
3	4.566
2	3.178
1	1.660

Section 6. Exemptions

The Special Tax shall not be levied upon Commercial or Industrial Property, public properties and properties exempt from general ad valorem taxes. The Special Tax obligation associated with any Taxable Property within the CFD must be prepaid and permanently satisfied prior to being acquired by any public or private entity for which ordinary ad valorem taxes do not apply. The District may make a determination that such prepayment is not necessary.

Section 7. Obligation to Disclose the Backup Tax

All Taxable Property located within a recorded final tract or parcel map and which is not located within TTM 15836 will be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax Rate if the CFD Administrator determines that, based upon the building permits issued to date, and the presumption that all lots for which building permits have not been issued will be assigned to the land use class corresponding to the smallest dwelling unit size approved for the tract, the aggregate special tax will be equal to or greater than \$801 per dwelling unit, adjusted by the Construction Cost Index.

Subsequent to the recordation of a final map for TTM 15836, all Taxable Property located within TTM 15836, will be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax Rate if the CFD Administrator determines that, based upon the building permits issued to date, and the presumption that all lots for which building permits have not been issued will be assigned to the land use class corresponding to the smallest dwelling unit size approved for the tract, the aggregate annual special tax that will be generated from the final tract will be equal to \$60,874, adjusted by the Construction Cost Index.

Section 8. **Manner of Collection**

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem property taxes, and will be subject to the same penalties and procedures, sale and lien priority in the event of delinquencies as provided for ad valorem taxes; provided, however that the CFD may levy and collect such taxes at a different time or in a different manner if necessary to meet its financial obligations.

Section 9. **Board of Appeals**

A three-member Appeals Board, to be appointed by the legislative body of the CFD, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula. Any dispute regarding the allocation or amount of special taxes levied against any particular parcel shall be submitted to the Appeals Board for consideration.

EXHIBIT "A-2"

Colton Joint Unified School District Community Facilities District No. 2 Annexation No. 2 (Granite Homes)

Rate & Method of Apportionment

The Board of Education of the Colton Joint Unified School District (the "Board") sitting as the legislative body of Community Facilities District No. 2 of Colton Joint Unified School District ("CFD No. 2") shall levy and collect a special tax (the "Special Tax") applicable to each Assessor's Parcel located within the boundaries of CFD No. 2, Annexation Area No. 2. The Special Tax will be levied at the applicable rate as specified herein. Each Assessor's Parcel that is classified as taxable property ("Taxable Property") shall be taxed as set forth below. All property located within the boundaries of CFD No. 2, Annexation Area No. 2 shall be taxed for the purposes, to the extent and in the manner herein set forth unless exempted by law or by provisions of any of the Sections herein.

Section 1. Definitions

"Annexation Area No. 1" means the area identified in the Δ Boundary Map for Community Facilities District No. 2, Annexation No. 1 of the Colton Joint Unified School District.

"Annexation Area No. 2" means the area identified in the Δ Boundary Map for Community Facilities District No. 2, Annexation No. 2 of the Colton Joint Unified School District.

"Annual Maximum Special Tax" means the applicable maximum special tax to be levied on Taxable Property in each Fiscal Year pursuant to Section 3 herein. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at a rate not to exceed 2% per year. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Undeveloped Property is equal to \$4,563 per gross acre, adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior year by the Construction Cost Index.

"Annexation Date" means for properties included within the boundaries of CFD No. 2, at the time of formation, the date on which the resolution establishing CFD No. 2 was adopted by the Board of Education of the Colton Unified School District and for properties which annex to CFD No. 2, subsequent to formation, the date on which the resolution certifying the annexation is adopted by the Board of Education of the Colton Joint Unified School District.

"Annexation Tax Adjustment Factor" means the quotient derived by dividing (a) the amount of the Alternative Fee collected pursuant to Section of 65995.5 or 65995.7 of the California Government Code, also referred to as Level II or Level III Fees, applicable as of the Annexation Date by (b) 3.87. However, the Annexation Tax Adjustment Factor will not be less than one (1.0) and not more than three (3.0).

“Assessor’s Parcel” means a parcel of land as designated on an official map of the San Bernardino County Assessor and for which a discrete identifying parcel number has been assigned.

“Assigned Special Tax Rate” means for Developed Property the applicable special tax rate determined in reference to Table II, adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the applicable percentage increase in the Construction Cost Index; provided, however, that the Assigned Special Tax Rate for a parcel shall increase at the rate of 2% per year following the Initial Maximum Special Tax Year for such period.

“Backup Special Tax Rate” means for Annexation Area No. 2, \$1,160 per dwelling unit or lot for Fiscal Year 2001/02. The Backup Special Tax Rate shall be adjusted on July 1 of each year, beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index; provided however, that the Backup Special Tax Rate for a parcel shall increase at the rate of 2% per year following the Initial Maximum Special Tax Year for such parcel.

“CFD Administrator” means an official of the District, or designee thereof, responsible for determining the special tax requirement to CFD No. 2 and providing for the levy and collection of the special taxes.

“Commercial and Industrial Property” means Developed Property for which the primary purpose and use of the improvements is not residential housing. Such property identified within the boundaries of the CFD will not be subject to the Annual Maximum Special Tax. Such property will be subject to any applicable statutory fees.

“Construction Cost Index” means the Marshall & Swift Index for Class ‘D’ Construction as tabulated by the Office of Public School Construction (OPSC). The annual increase in the index to be in effect for the current fiscal year shall be based upon the last available data as of March 1 of the preceding fiscal year; however any annual increase shall be not more than six-percent (6%) and not less than two-percent (2%). In the event that the Construction Cost Index set forth above is no longer available, the Appeals Board of the CFD shall select a suitable substitute index.

“CFD” or **“CFD No. 2”** means Community Facilities District No. 2 of the Colton Joint Unified School District and any subsequent annexations thereto.

“Developed Property” means Taxable Property for which a building permit has been issued prior to July 1 of the current Fiscal Year.

“District” means the Colton Joint Unified School District.

“District RMA” means the rate and method of apportionment of special taxes approved by the eligible voters within CFD No. 2 at a special election held on July 19, 2001.

“Dwelling Unit” means any single-family detached (SFD), single-family attached (SFA), condominium, duplex, apartment unit or any other unit intended for residential occupancy.

“Fiscal Year” means the period of time commencing on July 1 of any year and ending the following June 30.

“Gross Acre” means the gross acreage of a particular parcel without consideration as to right-of-way, easements, streets, etc. For purposes of allocating the Special Tax to Undeveloped Property, the District shall use the gross acreage as it appears on the current assessor’s parcel map for such parcel. If the gross acreage for a parcel

classified as Taxable Property does not appear on the assessor's parcel map, the gross acreage which appears on a tentative or final subdivision map may be used.

"Initial CFD Properties" means the properties identified on the boundary map of CFD No. 2, Annexation No. 2 at the time that the Annexation was approved.

"Initial Maximum Special Tax Rate" means the Assigned Special Tax Rate and the Backup Special Tax Rate applicable to a parcel classified as Taxable Property for the fiscal year in which such parcel is first subject to taxation as Developed Property. For Initial CFD Properties the Initial Maximum Special Tax Rate is equal to the greater of the Backup Special Tax Rate or the Assigned Special Tax Rate. For all other Taxable Property the Initial Maximum Special Tax Rate is equal to the product of (a) the greater of the Backup Special Tax Rate or the Assigned Special Tax Rate, and (b) the applicable Annexation Tax Adjustment Factor.

"Initial Maximum Special Tax Year" means the fiscal year in which a parcel classified as Taxable Property is first classified as Developed Property.

"Maximum Special Tax Rate" means the applicable maximum special tax to be levied on Taxable Property in each Fiscal Year pursuant to Section 3 herein. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at the rate of two-percent (2%) per year. The Annual Maximum Special Tax Rate applicable to a particular parcel classified as Undeveloped Property is equal to \$4,563 per gross acre, adjusted on July 1 of each year beginning July 1, 2002, by multiplying the rate in effect for the prior fiscal year by the Construction Cost Index.

"Residential Property" means Developed Property for which the primary use and purpose of the improvements is residential housing.

"Taxable Property" means Developed Property and Undeveloped Property that is not exempt from taxation pursuant to Section 6 and for which the Special Tax obligation has not been prepaid and/or permanently satisfied.

"Undeveloped Property" means Taxable Property that is not classified as Developed Property.

Section 2. Assignment of Developed Property to Land Use Classes

On or before July 1 of each year, the District shall classify or cause to be classified all Taxable Property within the boundaries of Annexation No. 2 of CFD No. 2 as either Developed Property or Undeveloped Property. For purposes of classification, property shall be designated as Developed Property if a building permit has been issued as of March 1 of the preceding Fiscal Year.

All Developed Property which is Residential Property shall be assigned to one of the designated land use classes listed below:

**Table I
Land Use Classification**

<i>Land Use Class</i>	<i>Dwelling Type</i>	<i>Square Footage of Dwelling Unit</i>
A	Apartment	N/A
B	SFD	< 1,250
C	SFD	1,250 - 1,499
D	SFD	1,500 - 1,749
E	SFD	1,750 - 1,999
F	SFD	2,000 - 2,249
G	SFD	2,250 - 2,499
H	SFD	2,500 - 2,749
I	SFD	2,750 - 2,999
J	SFD	3,000 – 3,299
K	SFD	3,250 +
Non-Residential	N/A	N/A

In assigning each parcel of Developed Property which is Residential Property to a Land Use Class, the square footage to be used is equal to the square footage of each Dwelling Unit to be constructed on the assessor's parcel. The square footage of each Dwelling Unit shall be calculated by determining the habitable space of the improvement (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the District may rely on the square footage of the dwelling unit as identified on the building permit(s) issued by the County of San Bernardino or other issuing agency.

Each parcel of Taxable Property shall be subject to the levy of special taxes for a period not to exceed 30 years from the Initial Maximum Special Tax Year for such parcel.

Section 3. Initial and Annual Special Tax Rates

The Assigned Special Tax Rates established for Developed Property for Fiscal Year 2001/02 are as follows:

Table II
Assigned Special Tax Rates
(Applicable to Initial CFD Properties Only)

<i>Land Use Class</i>	<i>FY 2001/02 Tax Rate (per D/U)</i>
A	\$372
B	\$455
C	\$567
D	\$660
E	\$753
F	\$990
G	\$1,029
H	\$1,068
I	\$1,147
J	\$1,199
K	\$1,315
Non-Residential	N/A

The Assigned Special Tax Rate for a parcel of Developed Property shall escalate on July 1 of each year following the Initial Maximum Special Tax Year for such parcel at the rate of 2% per year.

All Undeveloped Property is subject to a special tax levy equal to the Maximum Special Tax for such fiscal year.

The Maximum Special Tax Rate applicable to a particular parcel classified as Developed Property is equal to the designated Initial Maximum Special Tax Rate, escalated at the rate of two-percent (2%) per year.

Section 4. Apportionment of the Special Tax

Commencing in Fiscal Year 2003-04 and for each Fiscal Year thereafter, the Board shall levy up to the Annual Maximum Special Tax Rate that is applicable to each Assessor's Parcel which is classified as Taxable Property in accordance with the following order of priority:

Step 1: Determine the aggregate special tax amount required for the purpose of:

- (a) paying principal and interest and other periodic costs on notes, bonds and any other indebtedness of CFD No. 2, anticipated special tax delinquencies based on the prior delinquency experience, the establishment or replenishment of bond reserve funds or other reserve funds, repayment of funds advanced to pay legal, financial and administrative costs associated with formation of the CFD, credit enhancement and liquidity facility fees and other incidental expenses, the proceeds of which are being used to finance the acquisition, design, construction, lease, equipping

and/or improvement of educational sites and facilities, and costs attributable to refunding of such indebtedness,

- (b) paying directly for the acquisition, design, construction, lease, equipping and/or improvement of educational sites and facilities, and
- (c) paying the administrative costs associated with determining, calculating, levying and collecting the special tax for CFD No. 2.

Step 2: To the extent that current available funds are not sufficient to pay the amounts determined in Step 1, apportion the special tax up to the applicable Assigned Special Tax Rate for each parcel classified as Developed Property.

Step 3: To the extent that current available funds and special taxes to be collected pursuant to Step 2 are not sufficient to pay the amounts determined in Step 1, calculate the difference between (i) the aggregate special tax amount determined pursuant to Step 1 and (ii) the amount to be levied pursuant to Step 2 and pursuant to Step 2 of the District RMA and apportion such amount on all Undeveloped Property that is not exempt from the Special Tax levy as determined by the CFD Administrator. This amount shall be levied in connection with the levy of special taxes pursuant to Step 3 of the District RMA and shall result in Undeveloped Property in Annexation No. 2 and the undeveloped property subject to special tax levied pursuant to Step 3 of the District RMA being levied at equal percentages of the applicable Special Tax on all parcels.

Step 4: To the extent that current available funds and special taxes to be collected pursuant to Step 2 and Step 3 and Step 2 and Step 3 of the District RMA are not sufficient to pay the amounts determined in Step 1, calculate the difference between (i) the aggregate special tax amount determined pursuant to Step 1 and (ii) the amount to be levied pursuant to Step 2 and Step 3 above and Step 2 and Step 3 of the District RMA and apportion such amount on all Developed Property for which the Annual Maximum Special Tax Rate is equal to the Backup Special Tax Rate as determined by the CFD Administrator. This amount shall be levied in connection with the levy of special taxes pursuant to Step 4 of the District RMA and shall result in Developed Property in Annexation No. 2 and developed property subject to special tax levied pursuant to Step 4 of the District RMA being levied at equal percentages of the applicable Special Tax on all parcels.

Section 5. Prepayment of the Special Tax

The owner of a parcel classified as Developed Property that is subject to the special tax may prepay the entire obligation by paying the calculated prepayment amount as well as any additional administrative expenses associated with the processing of the prepayment. The calculated prepayment amount of a particular parcel is equal to the parcel's Initial Maximum Special Tax Rate multiplied by the applicable Prepayment Factor as shown in Table III.

Table III
Prepayment Factors

<i>Years of Tax Remaining</i>	<i>Prepayment Factor</i>
30	15.241
29	15.308
28	15.359
27	15.394
26	15.410
25	15.407
24	15.381
23	15.332
22	15.256
21	15.153
20	15.018
19	14.850
18	14.647
17	14.404
16	14.118
15	13.787
14	13.406
13	12.972
12	12.480
11	11.925
10	11.303
9	10.608
8	9.835
7	8.977
6	8.029
5	6.983
4	5.831
3	4.566
2	3.178
1	1.660

Section 6. Exemptions

The Special Tax shall not be levied upon Commercial and Industrial Property, public properties and properties exempt from general ad valorem taxes. The Special Tax obligation associated with any Taxable Property within the Annexation No. 2 of the CFD must be prepaid and permanently satisfied prior to being acquired by any public or private entity for which ordinary ad valorem taxes do not apply. The District may make a determination that such prepayment is not necessary.

Section 7. Obligation to Disclose the Backup Tax

All Taxable Property located within a recorded final tract or parcel map will be relieved simultaneously and permanently from the obligation to pay and disclose the Backup Special Tax Rate if the CFD Administrator determines that, based upon the building permits issued to date, and the presumption that all lots for which building permits have

not been issued will be assigned to the land use class corresponding to the smallest dwelling unit size approved for the tract, the aggregate special tax will be equal to or greater than \$1,160 per dwelling unit, adjusted by the Construction Cost Index.

Section 8. Manner of Collection

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem property taxes, and will be subject to the same penalties and procedures, sale and lien priority in the event of delinquencies as provided for ad valorem taxes; provided, however that the CFD may levy and collect such taxes at a different time or in a different manner if necessary to meet its financial obligations.

Section 9. Board of Appeals

A three-member Appeals Board, to be appointed by the legislative body of the CFD, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula. Any dispute regarding the allocation or amount of special taxes levied against any particular parcel shall be submitted to the Appeals Board for consideration.