

**RATE AND METHOD OF APPORTIONMENT
OF A SPECIAL TAX FOR COMMUNITY
FACILITIES DISTRICT NO. 4 OF THE
ETIWANDA SCHOOL DISTRICT**

The Board of Trustees of the Etiwanda School District (the "Board") sitting as the legislative body of Community Facilities District No. 4 of Etiwanda School District ("CFD No. 4"), shall levy and collect a special tax (the "Special Tax") which, pursuant to the procedures and terms described below, is applicable to each taxable Assessor's Parcel located within the boundaries of CFD No. 4. The Special Tax shall be levied to finance certain school and related facilities, to pay incidental expenses, to create and replenish reserves and to provide funds for debt service on obligations of CFD No. 4 as described herein, the proceeds of which will be used to finance the acquisition and construction of elementary school and middle school sites and related facilities. The Special Tax will be levied at the applicable rate for developed property, as hereinafter defined, or Undeveloped Property as herein after defined. Each Assessor's Parcel which is Developed Property, as herein after defined, shall be assigned to a Special Tax Rate Area as described below and taxed at the applicable rate for that Area. Those parcels which constitute Undeveloped Property shall be taxed at the applicable rate as set forth below.

All property located within the boundaries of CFD No. 4 shall be taxed for the purposes, to the extent and in the manner herein set forth unless exempted by law or by the provisions of Section 5 herein.

Section 1. Definitions.

"Assigned Special Tax" means the Special Tax for each Special Tax Rate Area, as determined by reference to Section 3(a) below.

"Alternative Special Tax" means, for Fiscal Year 1997-98, an amount equal to \$0.133 per square foot of Assessor's Parcel of Developed Property and, for each Subsequent Fiscal Year, commencing July 1, 1998, an amount equal to such rate increased by two percent (2%) of the maximum amount which could have been levied in the previous year.

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

"CFD No. 4" shall mean the territory within the boundaries of Community Facilities District No. 4 as depicted on the map as recorded with the County Recorder of San Bernardino County on file with the District.

“Developed Property” shall mean all Taxable Property for which a building permit was issued as of May 1 preceding the Fiscal Year for which the Special Tax is being levied.

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

“Maximum Special Tax” shall mean the highest special tax determined in accordance with Section 3 for Developed and Undeveloped Property which can be levied by the Board in any fiscal year.

“Proportionately or Proportioned” shall mean for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Developed Properties. Proportionately or Proportioned shall mean for Undeveloped Property that the ratio of the actual Special Tax levy to the Maximum Special Tax for Undeveloped Property is equal for all Undeveloped Properties.

“Other Developed Property” means all Assessor’s Parcels of Developed Property other than Single Family Residential Property.

“Single Family Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing a detached residential dwelling.

“Special Tax Rate Area” means any of the three areas as indicated pursuant to Exhibit “A” hereto.

“Special Tax Requirement” means an amount to be determined annually by the Board to pay authorized costs and expenses of the District including those necessary to issue and administer bonds or other indebtedness secured in whole or in part by special taxes of CFD No. 4 (the “Bonds”), collect and administer the Special Taxes, comply with the requirements of Rule 15c2-(12)b under the Securities Exchange Act of 1934, as amended, and administer the District to pay current and past due debt service on the Bonds, to accumulate funds for future debt service on the Bonds, to obtain credit enhancement with respect to the Bonds, to create and replenish reserve funds to their proper level (including payments to be made from a reserve fund based upon past Special Tax delinquencies), to compensate for actual delinquent Special Taxes or anticipated Special Tax delinquencies (based upon past delinquency experience), and to accumulate Special Taxes from Developed Property to pay debt service on Bonds in subsequent years, or to pay directly for authorized facilities.

“Taxable Property” shall mean the area within the boundaries of CFD No. 4 which is not exempt from application of the Special Tax by operation of law or Section 5 herein.

“Undeveloped Property” shall mean all Taxable Property within which is not classified as Developed Property.

Section 2. Assignment to Development Status.

The District shall, on or before July 1 of each year, classify all Taxable Property within the boundaries of CFD No. 4 as either Developed or Undeveloped Property. In order to determine the applicable Special Tax, each Assessor's Parcel which constitutes Developed Property shall be assigned to a Special Tax Rate Area, classified as Single Family Residential Property or Other Developed Property and taxed as set forth below. Undeveloped Property shall be taxed as set forth below.

Section 3. Maximum Special Tax Rates.

The Board shall levy up to the Maximum Special Taxes indicated in sections 3(A) and 3(B) in order to satisfy the Special Tax Requirement in each Fiscal Year on July 1. In determining the amount of the Alternative Special Tax and the Assigned Special Tax for Other Developed Property to be levied on an Assessor's Parcel, the square footage shall include all square footage in the land area of an Assessor's Parcel as shown on an Assessor's Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel map, or other recorded County map.

A. Developed Property

The Maximum Special Tax in each fiscal year for an Assessor's Parcel classified as Developed Property shall be the greater of, (i) the amount derived by multiplying the square footage of such Assessor's Parcel times the Alternative Special Tax, or (ii) the Assigned Special Tax for the applicable Special Tax Rate Area. The Assigned Special Tax for Fiscal Year 1997-98 shall be as indicated in Table 1 below. Each July 1, commencing July 1, 1998, the Assigned Special Tax for each Special Tax Rate Area shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

TABLE 1	
SPECIAL TAX RATE AREA A:	ASSIGNED SPECIAL TAX (1997-98)
Single Family Residential Property	\$735 per tract map lot
Other Developed Property	\$0.133 per square foot of Assessor's Parcel
SPECIAL TAX RATE AREA B:	ASSIGNED SPECIAL TAX (1997-98)
Single Family Residential Property	\$816 per tract map
Other Developed Property	\$0.133 per square foot of Assessor's Parcel

SPECIAL TAX RATE AREA C:	ASSIGNED SPECIAL TAX (1997-98)
Single Family Residential Property	\$1,020 per tract lot
Other Developed Property	\$0.133 per square foot of Assessor's Parcel

B. Undeveloped Property

In the event that funds projected to be derived from the Maximum Special Tax and capitalized interest, if any, are projected by CFD No. 4 to be inadequate to meet the Special Tax Requirement, the governing body of CFD No. 4 shall levy up to the Maximum Special Tax on Undeveloped Property. The Maximum Special Tax on Undeveloped Property shall be \$5,900 per acre of the land area of an Assessor's Parcel as shown on an Assessor's Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel, or other recorded County Map. Each July 1, 1998, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

Section 4. Apportionment of Special Tax.

Commencing in Fiscal Year 1997-98, and for each Fiscal Year thereafter, the Board shall determine the amount of special taxes to be collected from all Taxable Property located within CFD No. 4 in order to satisfy the Special Tax Requirement. The Board shall levy the Special Tax as follows until the amount of the levy equals the Special Tax Requirement:

- First: The Special Tax shall be levied proportionately on each Assessor's Parcel of Developed Property up to one hundred percent (100%) of the applicable Assigned Special Tax for that Fiscal Year, as set forth in Section 3(A) above;
- Second: If additional Special Tax revenues are necessary, the Special Tax shall be levied proportionately on each parcel of Undeveloped Property up to one hundred percent (100%) of the applicable Maximum Special Tax for that Fiscal Year, as set forth in Section 3(B) above;
- Third: If additional monies are needed after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property shall be increased proportionately up to the Maximum Special Tax Rate for each such Assessor's Parcel for such Fiscal Year.

Section 5. Exemptions.

A Special Tax shall not be levied on up to thirty-seven and thirty-one hundredths (37.31) acres of roads and easements.

Section 6. Manner of Collection.

The Special Taxes for CFD No. 4 will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 4 may collect special taxes at a different time or in a different manner as determined by the Board, and the special taxes will be subject to the same penalties and procedures, sale, and lien priority in the event of delinquencies as provided for ad valorem taxes.

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.