

**RATE AND METHOD OF APPORTIONMENT
OF A SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. 9
OF THE ETIWANDA SCHOOL DISTRICT**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Community Facilities District No. 9 of the Etiwanda School District ("CFD No. 9") and collected each Fiscal Year, in an amount determined by the Board of Trustees of the Etiwanda School District (the "Board" or the "District") through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property", as described below. All of the real property in CFD No. 9, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

Section 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 the 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, lot line adjustment, condominium plan, or other recorded parcel map.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1 of Division 2 of Title 5 of the California Government Code of the State of California.

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 9 including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the District, CFD No. 9, or a designee thereof); the costs of collecting the Special Taxes (whether by the District or otherwise); the costs of remitting the Special Taxes to the fiscal agent or trustee; the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the District, CFD No. 9 or any designee thereof of complying with arbitrage rebate requirements; the costs to the District, CFD No. 9 or any designee thereof of complying with District, CFD No. 9 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the District, CFD No. 9 or any designee thereof related to an appeal of the Special Tax. Administrative Expenses shall also include, but not be limited to, amounts advanced by the District or CFD No. 9 for any other administrative purposes of CFD No. 9, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

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

"Assessor's Parcel Map" means an official map of the Assessor of the County of San Bernardino designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Land Use Category of Developed Property, as determined in accordance with Section C.1.a. below.

"Backup Special Tax" means the Special Tax amount set forth in Section C.1.b. below.

"Bonds" means any bonds or other indebtedness (as defined in the Act), whether in one or more series, secured by the levy of Special Taxes.

"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.

"Developed Property" means all Assessor's Parcels in CFD No. 9, exclusive of Public Property, for which a building permit has been issued as of June 30 of the Fiscal Year preceding the Fiscal Year for which Special Taxes are being levied.

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

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

"Indenture" means the 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 Category" means any of the categories listed in Table 1.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, which can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor's Parcels of Developed Property for which a building permit was issued for a non-residential use.

"Public Property" means property within the boundaries of the Improvement Area owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public right-of-way has been granted to the federal government, the State of California, the County of San Bernardino, or the Cities of Fontana or Rancho Cucamonga, or any local government or other public agency, provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

"Proportionately" means for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is the same for all Assessors' Parcels of Developed Property. For Undeveloped Property, "Proportionately" means that the ratio of the actual Special Tax levy per acre to the Maximum Special Tax per acre is the same for all Assessor's Parcels of Undeveloped Property.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 9 to: (i) pay directly for facilities or debt service on all outstanding Bonds; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; and (iv) pay any amounts required to establish or replenish any reserve funds for the outstanding Bonds; less (v) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 9 which are not exempt from the Special Tax pursuant to law or Section E below.

"Undeveloped Property" means all Taxable Property not classified as Developed Property.

Section B. Assignment to Development Status.

Each Fiscal Year, all Taxable Property of CFD No. 9 shall be classified as Developed Property or Undeveloped Property and shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment as determined pursuant to Sections C and D below. Developed Property which satisfies the criteria for Residential Property and Non-Residential Property shall be assigned thereto.

For purposes of determining the applicable Table 1 Assigned Special Tax for Developed Property, each Assessor's Parcel of Residential Property shall be assigned to a Land Use Category based upon the house square footage of improvements constructed or to be constructed on such Assessor's Parcel and each Assessor's Parcel of Non-Residential Property shall be assigned to the applicable Non-Residential Land Use Category. With respect to Residential Property, the square footage of improvements shall be determined from all building permits issued and shall be exclusive of garages or other structures which are not used as living space.

Section C. Maximum Special Tax Rates.

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the applicable Table 1 Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

a. Assigned Special Tax

The Assigned Special Tax for each Land Use Category as shown in Table 1 below.

TABLE 1

Assigned Special Taxes for Developed Property
Community Facilities District No. 9

Land Use Category	Taxable Unit	Square Feet of Dwelling Unit	Assigned Special Tax Per Taxable Unit
1	SFD – Per D/U	3,501 sq.ft. or greater	\$1,113
2	SFD – Per D/U	3,001 sqft to 3,500 sq.ft.	\$979
3	SFD – Per D/U	2,501 sqft to 3,000 sq.ft.	\$890
4	SFD – Per D/U	2,001 sqft to 2,500 sq.ft.	\$801
5	SFD – Per D/U	2,000 sq.ft. or less	\$712
6	SFA	N/A	\$401
7	Per Attached D/U Apartment	N/A	\$312
8	Per Individual D/U Non-Residential Per Gross Acre	N/A	\$3,500

Each July 1st, commencing July 1, 2004, the Assigned Special Tax for each Category shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

b. Backup Special Tax

The Backup Special Tax attributable to each Acre of a Final Subdivision is \$3,500 per acre. The Backup Special Tax attributable to a Final Subdivision is equal to Backup Special Tax Per Acre multiplied by the Acreage of all Taxable Property.

The Backup Special Tax for each Assessor's Parcel of Residential Property in a Final Subdivision shall be computed by dividing the aggregate Backup Special Tax attributable to the Assessor's Parcels of Taxable Property for which building permits for residential construction have or may be issued, as determined in the preceding paragraph, by the number of such Assessor's Parcels (i.e., the number of residential lots) within such Final Subdivision.

The Backup Special Tax for each Assessor's Parcel of Non-Residential Property in a Final Subdivision shall be equal to Backup Tax Per Acre shown in Table 2 multiplied by the Acreage of such Assessor's Parcel within such Final Subdivision.

Each July 1 commencing July 1, 2003, the Backup Special Tax shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

2. Undeveloped Property.

The Maximum Special Tax for Undeveloped Property shall be \$3,500 per Acre.

Each July 1 commencing July 1, 2004 the Backup Special Tax shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

Section D. Apportionment of Special Tax.

Commencing with Fiscal Year 2003-2004 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax until the amount of Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property at 91% of the applicable Assigned Special Tax;

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

Third: If additional moneys are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property shall be increased Proportionately at up to 100% of the Assigned Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the Special Tax to be levied on each Assessor's Parcel of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Notwithstanding the above, under no circumstances will the Special Taxes levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) per Fiscal Year as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 9.

Section E. Exemptions.

The Special Tax shall not be levied upon parks, public properties, utility properties belonging to public or private utilities 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 entity for which ordinary ad valorem taxes do not

apply. The District may make a determination that such prepayment is not necessary.

Section E. Manner of Collection.

The Special Tax shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, that CFD No. 9 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on Assessor's Parcels having delinquent Special Taxes as permitted by the Act.

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.

Section G. Prepayment of Special Tax.

The Special Tax levied against an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued and Taxable Public Property may be prepaid.

1. Prepayment of Developed or Taxable Public Property

The prepayment amount for an Assessor's Parcel of Developed Property or Taxable Public Property will be equal to the present value of the Maximum Special Tax applicable to such Assessor's Parcel, using a discount rate that is equal to the yield on the Bonds and the remaining term of the Bonds. For any prepayment that occurs prior to the issue of Bonds, the discount rate used in this calculation shall be 6.25% and the term over which the Special Tax may be levied shall be as provided in Section H.

2. Prepayment of Undeveloped Property and Taxable Public Property

Prior to the issuance of Bonds secured by a special tax lien against such property, the prepayment amount for an Assessor's Parcel of Undeveloped Property will be equal to the Assigned Special Tax Per Taxable Unit multiplied by a prepayment factor of 14.412.

Subsequent to the issuance of Bonds secured by a special tax lien against such property the prepayment amount for an Assessor's Parcel of Undeveloped Property but for which such property for will be equal to the present value of the Maximum Special Tax applicable to such Assessor's Parcel, using a discount rate that is equal to the yield on the Bonds and the remaining term of the Bonds.

Any unpaid Special Taxes, interest and penalties which have been entered on the Assessor's tax roll that apply to an Assessor's Parcel for which prepayment is sought, shall be paid in addition to the amount determined in the preceding paragraphs at the date of prepayment.

Section H. **Term of the Special Tax.**

The Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax until 2035 or while any Bonds are still outstanding, whichever is greater. Additionally, to the extent that delinquent Special Taxes remain uncollected after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse CFD No. 9 for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than the 2042-2043 Fiscal Year.

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