

**RATE AND METHOD OF APPORTIONMENT OF A
SPECIAL TAX FOR RANCHO ETIWANDA PUBLIC
FACILITIES COMMUNITY FACILITIES DISTRICT
NO. 1 OF THE ETIWANDA SCHOOL DISTRICT**

The Board of Trustees of the Etiwanda School District (the "Board") sitting as the legislative body of the Rancho Etiwanda Public Facilities Community Facilities District No. 1 ("CFD No. 1") of Etiwanda School District (the "School District"), 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. 1. The Special Tax will be levied at the applicable rate for Developed Property, as hereinafter defined, Undeveloped Property as hereinafter defined, or Taxable Public Property, as hereinafter defined. Each Assessor's Parcel which is Developed Property, as hereinafter defined, shall be taxed at the applicable rate. Those parcels which constitute Undeveloped Property and Taxable Public Property shall be taxed at the applicable rate as set forth below.

All property located within the boundaries of CFD No. 1 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.

The Etiwanda School District is in the process of obtaining its Tentative Tract Map 16100, which Tentative Tract Map is a portion of its Assessor Parcel Number 0225-071-67, for the development of 30 residential lots. The Cucamonga Public Facilities Corporation (the "Corporation") has sold a portion of its Assessor's Parcel Number 0225-071-66 to the School District for Tentative Tract Map 16100 and neither the School District nor the Corporation is a "landowner" or "owner of land" as provided in Government Code Section 53317(f).

Section 1. **Definitions.**

"Acre or Acreage" means the land area of an Assessor's Parcel or Final Subdivision 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 excluding the land area of any portion of an Assessor's Parcel or Final Subdivision as to which an easement for road right-of-way or other real property interest has been dedicated or irrevocably offered for dedication to a public agency. If the land area of the road right-of-way or other real property interest is not shown on an Assessor's Parcel Map, the Board may rely on the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County 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. 1 including, but not limited to, the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District, CFD No. 1, or a designee thereof); the costs of collecting the Special Taxes (whether by the School 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 School District, CFD No. 1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 1 or any designee thereof of complying with School District, CFD No. 1 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 School District, CFD No. 1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow fund and the School District's annual administrative expenses directly related to CFD No. 1. Administrative Expenses shall also include, but not be limited to, amounts advanced by the School District or CFD No. 1 for any other administrative purposes of CFD No. 1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Appeals Board" means the Board appointed pursuant to Section 7 herein.

"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.

"Assigned Special Tax" means the Special Tax as determined by reference to Section 3(A)(1) below.

"Backup Special Tax" means the Special Tax amount set forth in Section 3(A)(2) below.

"Bonds" means any bonds or other debt (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 School District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of Special Taxes.

"CFD No. 1" means the Rancho Etiwanda Public Facilities Community Facilities District No. 1 as depicted on the map as recorded with the County Recorder of San Bernardino County and on file with the School District.

"Developed Property" means all Taxable Property for which a building permit was issued as of June 30 preceding the Fiscal Year for which the Special Tax is 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 of time commencing on July 1 of any year and ending 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 highest Special Tax determined in accordance with Section 3 for Developed, Undeveloped Property, and Taxable Public Property which can be levied by the Board in any Fiscal Year.

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

"Public Property" means property within the boundaries of CFD No. 1 owned by, irrevocably offered or dedicated to, or for which an easement for purposes of public or private road right-of-way or for purposes of landscape maintenance has been granted to the federal government, the State of California, the County of San Bernardino, or any local government or other public agency; utility properties belonging to public or private utilities with public or utility easements making impractical their utilization for other than the purposes set forth in the easement; water district properties owned by a nonprofit public benefit corporation and created for the benefit of the water districts; and properties exempt from general ad valorem property taxes.

"Residential Floor Area" means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The determination of Residential Floor Area shall be made by reference to the building permit(s) issued for an Assessor's Parcel.

"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 Requirement" means an amount to be determined annually by the Board to pay authorized costs and expenses of the School District including (i) costs and expenses necessary to issue and administer Bonds secured in whole or in part by Special Taxes of CFD No. 1, (ii) costs and expenses to collect and administer the Special Taxes, and administer CFD No. 1, (iii) amounts to pay current and past due debt service on the Bonds, (iv) costs and expenses for credit enhancement with respect to the Bonds, (v) costs and expenses of remarketing, credit enhancement and liquidity facility fees (including such fees for instruments that serve as the basis of a reserve fund related to any indebtedness in lieu of cash), (vi) amounts 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), (vii) amounts to compensate for actual delinquent Special Taxes or anticipated Special Tax delinquencies (based upon past delinquency experience), (viii) to pay directly for authorized facilities through the levy of Special Taxes upon Developed Property, and (ix) to accumulate Special Taxes from Developed Property to pay debt service on Bonds in subsequent years, less (x) a credit for funds available to reduce the annual Special Tax levy as determined pursuant to the Indenture.

"Taxable Property" means the area within the boundaries of CFD No. 1 which is not exempt from application of the Special Tax by operation of law or Section 5 herein.

"Taxable Public Property" means all property located within the boundaries of CFD No. 1 which is not exempt from the Special Tax pursuant to Section 5 below.

"Tax Zone" means an area designated as such on the Zone Map.

"Undeveloped Property" means all Taxable Property which is not classified as Developed Property. For purposes of determining the amount of Acreage to be classified as Undeveloped Property within an Assessor's Parcel for which discrete Assessor's Parcels have not been assigned to each lot proposed to be developed, the CFD Administrator will multiply the gross acreage of the Assessor's Parcel by the quotient derived by dividing the number of proposed dwelling units for which a building permit was not issued as of June 30 preceding the Fiscal Year for which the Special Tax is being levied by the total number of dwelling units proposed to be developed.

"Zone Map" means the map attached hereto as Exhibit A which identifies the approximate location of each Tax Zone within CFD No. 1, as such map may be amended pursuant to Section 2 below.

Section 2. Classification of Assessor's Parcel

Each Fiscal Year, the School District shall classify all Taxable Property within the boundaries of CFD No. 1 as either Developed Property, Undeveloped Property, or Public Property. In order to determine the applicable

Special Tax, Developed Property that satisfies the criteria for Residential Property and Non-Residential Property shall be assigned thereto and taxed as set forth in Section 3. Undeveloped Property and Public Property that is not exempt from the Special Tax shall be taxed as set forth in Section 3.

Each Assessor's Parcel classified as Undeveloped Property shall further be assigned to a Tax Zone based upon the Zone Map. If an Assessor's Parcel classified as Undeveloped Property is located within more than one Tax Zone, the Acreage of the Assessor's Parcel within each Tax Zone shall be determined for purposes of determining the Special Tax to be levied with respect to such Assessor's Parcel.

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 Tax Zone and within that Tax Zone, to a Land Use Category based upon the Residential Floor Area of improvements constructed or proposed to be constructed on such Assessor's Parcel.

Prior to the issuance of Bonds, the Zone Map may be amended, based upon updated or modified information regarding Final Subdivision or tentative subdivision maps approved within CFD No. 1. Subsequent to the issuance of Bonds, the Zone Map may be modified based upon Final Subdivisions and the CFD Administrator's determination that such modification shall not result in a decrease in the total Special Taxes that may be levied and collected with respect to Developed Property, Undeveloped Property, and Taxable Public Property.

Section 3. **Maximum Special Tax Rates.**

A. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the applicable Assigned Special Tax as shown in Table 1 or (ii) the amount derived by application of the Backup Special Tax as shown in Table 2. For purposes of determining the applicable Table 1 Assigned Special Tax for Developed Property, each Assessor's Parcel of Developed Property shall be assigned to a Tax Zone.

1. Assigned Special Tax

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

TABLE 1

Fiscal Year 2001-02
Assigned Special Taxes Rates
For the Rancho Etiwanda Public Facilities
Community Facilities District No. 1
of the Etiwanda School District

Land Use Category	Tax Zone 1	Tax Zone 2	Tax Zone 3	Tax Zone 4	Tax Zone 5	Tax Zone 6
Residential Property						
< 2,301 SF	\$1,303	\$1,418	\$1,457	\$1,493	\$1,600	\$430
2,301 SF – 2,350 SF	\$1,329	\$1,455	\$1,494	\$1,520	\$1,610	\$440
2,351 SF – 2,400 SF	\$1,355	\$1,464	\$1,505	\$1,537	\$1,623	\$449
2,401 SF – 2,450 SF	\$1,380	\$1,488	\$1,511	\$1,543	\$1,630	\$458
2,451 SF – 2,500 SF	\$1,404	\$1,500	\$1,546	\$1,566	\$1,635	\$468
2,501 SF – 2,550 SF	\$1,428	\$1,540	\$1,612	\$1,617	\$1,639	\$477
2,551 SF – 2,600 SF	\$1,451	\$1,565	\$1,615	\$1,636	\$1,642	\$486
2,601 SF – 2,650 SF	\$1,474	\$1,589	\$1,618	\$1,644	\$1,650	\$496
2,651 SF – 2,700 SF	\$1,496	\$1,613	\$1,658	\$1,678	\$1,684	\$505
2,701 SF – 2,750 SF	\$1,518	\$1,636	\$1,697	\$1,711	\$1,718	\$514
2,751 SF – 2,800 SF	\$1,539	\$1,659	\$1,715	\$1,744	\$1,752	\$524
2,801 SF – 2,850 SF	\$1,559	\$1,681	\$1,733	\$1,749	\$1,785	\$533
2,851 SF – 2,900 SF	\$1,572	\$1,702	\$1,750	\$1,777	\$1,818	\$543
2,901 SF – 2,950 SF	\$1,583	\$1,723	\$1,766	\$1,817	\$1,850	\$552
2,951 SF – 3,000 SF	\$1,594	\$1,741	\$1,782	\$1,855	\$1,882	\$561
3,001 SF – 3,050 SF	\$1,604	\$1,758	\$1,797	\$1,893	\$1,914	\$571
3,051 SF – 3,100 SF	\$1,613	\$1,775	\$1,808	\$1,919	\$1,945	\$580
3,101 SF – 3,150 SF	\$1,622	\$1,791	\$1,817	\$1,944	\$2,030	\$589
3,151 SF – 3,200 SF	\$1,629	\$1,806	\$1,827	\$1,968	\$2,070	\$599
3,201 SF – 3,250 SF	\$1,637	\$1,821	\$1,835	\$1,993	\$2,109	\$608
3,251 SF – 3,300 SF	\$1,669	\$1,835	\$1,842	\$2,016	\$2,141	\$617
3,301 SF – 3,350 SF	\$1,700	\$1,849	\$1,849	\$2,040	\$2,172	\$627
3,351 SF – 3,400 SF	\$1,717	\$1,862	\$1,875	\$2,059	\$2,203	\$636
3,401 SF – 3,450 SF	\$1,739	\$1,874	\$1,901	\$2,078	\$2,234	\$645
3,451 SF – 3,500 SF	\$1,761	\$1,885	\$1,927	\$2,096	\$2,265	\$655
3,501 SF – 3,550 SF	\$1,783	\$1,896	\$1,953	\$2,114	\$2,296	\$664
3,551 SF – 3,600 SF	\$1,804	\$1,915	\$1,978	\$2,131	\$2,326	\$673
3,601 SF – 3,650 SF	\$1,815	\$1,927	\$2,003	\$2,147	\$2,355	\$683
3,651 SF – 3,700 SF	\$1,836	\$1,943	\$2,028	\$2,164	\$2,371	\$692
3,701 SF – 3,750 SF	\$1,856	\$1,966	\$2,052	\$2,179	\$2,385	\$702
3,751 SF – 3,800 SF	\$1,877	\$2,004	\$2,065	\$2,194	\$2,399	\$711
3,801 SF – 3,850 SF	\$1,896	\$2,042	\$2,076	\$2,209	\$2,412	\$720
3,851 SF – 3,900 SF	\$1,915	\$2,079	\$2,097	\$2,223	\$2,418	\$730
3,901 SF – 3,950 SF	\$1,934	\$2,093	\$2,118	\$2,236	\$2,424	\$739

Land Use Category	Tax Zone 1	Tax Zone 2	Tax Zone 3	Tax Zone 4	Tax Zone 5	Tax Zone 6
3,951 SF – 4,000 SF	\$1,953	\$2,119	\$2,139	\$2,267	\$2,428	\$748
4,001 SF – 4,050 SF	\$1,970	\$2,144	\$2,159	\$2,288	\$2,432	\$758
4,051 SF – 4,100 SF	\$1,988	\$2,173	\$2,179	\$2,310	\$2,442	\$767
4,101 SF – 4,150 SF	\$2,005	\$2,193	\$2,198	\$2,331	\$2,451	\$776
4,151 SF – 4,200 SF	\$2,022	\$2,222	\$2,258	\$2,351	\$2,459	\$786
> 4,200 SF	\$2,037	\$2,249	\$2,277	\$2,371	\$2,467	\$796
Non-Residential Property (per Acre)	\$9,718	\$9,432	\$8,769	\$9,611	\$8,578	NA

Commencing with July 1, 2002 and on each July 1 thereafter to and including July 1, 2010, the Assigned Special Tax for each Tax Zone shall be increased by two percent (2%) of the amount in effect the previous Fiscal Year. Each July 1 thereafter, commencing with July 1, 2011, the Assigned Special Tax for each Tax Zone shall be increased by one and thirty-five hundredths percent (1.35%) of the amount in effect the previous Fiscal Year.

2. Backup Special Tax

The Backup Special Tax Rate attributable to each Acre of a Final Subdivision for Fiscal Year 2001-2002 is shown in Table 2. The Backup Special Tax attributable to a Final Subdivision is equal to the Backup Special Tax per Acre multiplied by the Acreage of all Taxable Property within the Final Subdivision. The Backup Special Tax shall not apply to Non-Residential Property or to any property located within Tax Zone 6.

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.

Commencing with July 1, 2002 and on each July 1 thereafter to and including July 1, 2010, the Backup Special Tax for each Tax Zone shall be increased by two percent (2%) of the amount in effect the previous Fiscal Year. Each July 1 thereafter, commencing with July 1, 2011, the Backup Special Tax for each Tax Zone shall be increased by one and thirty-five hundredths percent (1.35%) of the amount in effect the previous Fiscal Year.

B. Undeveloped Property and Taxable Public Property

In the event that funds projected to be derived from the Assigned Special Taxes for Developed Property, capitalized interest, if any, and other funds

available pursuant to the Indenture, are projected by CFD No. 1 to be inadequate to meet the Special Tax Requirement, the governing body of CFD No. 1 shall levy up to the Maximum Special Tax on Undeveloped Property. The Maximum Special Tax on Undeveloped Property for Fiscal Year 2001-02 attributable to each 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) is shown in Table 2. The Maximum Special Tax for Taxable Public Property is as shown in Table 2 below.

Commencing with July 1, 2002 and on each July 1 thereafter to and including July 1, 2010, the Undeveloped Property Special Tax and Taxable Public Property Special Tax for each Tax Zone shall be increased by two percent (2%) of the amount in effect the previous Fiscal Year. Each July 1 thereafter, commencing with July 1, 2011, the Undeveloped Property Special Tax and Taxable Public Property Special Tax for each Tax Zone shall be increased by one and thirty-five hundredths percent (1.35%) of the amount in effect the previous Fiscal Year.

Table 2

Fiscal Year 2001-02
Backup Special Tax,
Maximum Undeveloped Property Special Tax,
And Maximum Taxable Public Property Special Tax
Rancho Etiwanda Public Facilities
Community Facilities District No. 1
Of the Etiwanda School District

Tax Zone	Backup Special Tax per Acre	Maximum Undeveloped Property Special Tax per Acre	Maximum Taxable Public Property Special Tax per Acre
1	\$9,718	\$9,718	\$9,718
2	\$9,432	\$9,432	\$9,432
3	\$8,769	\$8,769	\$8,769
4	\$9,611	\$9,611	\$9,611
5	\$8,578	\$8,578	\$8,578
6	N/A	N/A	N/A

Section 4. **Apportionment of Special Tax.**

Commencing in Fiscal Year 2001-02, 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. 1 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 on each Assessor's Parcel of Developed Property, in equal percentages, up to one hundred percent (100%) of the applicable Assigned Special Tax for that Fiscal Year, as set forth in Section 3(A)(1) above;

Second: If additional Special Taxes are necessary to satisfy the Special Tax Requirement, the Special Tax shall be levied on each Assessor's Parcel of Undeveloped Property, in equal percentages, 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 to satisfy the Special Tax Requirement, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages up to the Maximum Special Tax for each such Assessor's Parcel for such Fiscal Year.

Fourth: If additional monies are needed after the first three steps have been completed to satisfy the Special Tax Requirement, then the Special Tax shall be levied in equal percentages on each Assessor's Parcel of Taxable Public Property up to the applicable Maximum Special Tax.

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. 1.

Section 5. **Exemptions.**

A Special Tax shall not be levied on Public Property (except as otherwise provided in Sections 53317.3 and 53317.5 of the Act) subject to the Acreage as set forth in Table 3 for each Tax Zone. The exemption of Acres of Public Property as listed in the following table will be allocated on a first in time basis. All property located within Tax Zone 6 will not be subject to a Special Tax until such property is owned by an entity which is not a public agency at which time the allowable exempt Acreage within Tax Zone 6 shall be as listed in Table 3.

If lot 26 of Tentative Tract Map ("TTM") 15902 prepays the special tax lien pursuant to Section 9(B), the maximum exempt acreage for Tax Zone 1 shall be limited to 9.3 Acres as set forth in Table 3 below.

Table 3

Maximum Exempt Acreage Allocation
For Each Tax Zone
Rancho Etiwanda Public Facilities
Community Facilities District No. 1
Of the Etiwanda School District

Tax Zone		Maximum Exempt Acreage of Public Property
1	Lot 26 of TTM 15902	1.8 Acres
1	Remaining Area	9.3 Acres
2		10.3 Acres
3		11.1 Acres
4		28.8 Acres
5		21.1 Acres
6		3.7 Acres

If the total Acres of Public Property in a Tax Zone is in excess of the total Acres set forth in Table 3, then the Acres exceeding such total shall be taxed at the applicable rates set forth in Section 3 above and to the extent set forth in Section 4 above.

The Special Tax obligation associated with any Taxable Property within CFD No. 1 must be prepaid and permanently satisfied prior to being acquired by any public entity for which ordinary ad valorem taxes do not apply. Should an Assessor's Parcel no longer be Public Property, such property shall no longer be exempt from the levy of Special Taxes.

Section 6. **Manner of Collection.**

The Special Taxes for CFD No. 1 will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 1 may directly bill the Special Tax, 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.

Section 7. Appeals Board.

A three-member Appeals Board, to be appointed by the Board, 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 8. Term of Special Tax.

Commencing Fiscal Year 2001-2002 and for each year that any Bonds are outstanding the Special Tax shall be levied on all Assessor's Parcels subject to the Special Tax. If any delinquent Special Taxes remain uncollected prior to or after all Bonds are retired, the Special Tax may be levied to the extent necessary to reimburse CFD No. 1 for uncollected Special Taxes associated with the levy of such Special Taxes, but not later than the 2040-41 Fiscal Year.

Section 9. Prepayment of the Special Tax.

A. Prepayment in Full – Developed Property

The Maximum Special Tax for any Assessor's Parcel of Developed Property may be prepaid and permanently satisfied as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within CFD No. 1. An owner of an Assessor's Parcel intending to prepay the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount any such prepayment shall be valid.

The "Prepayment" means an amount equal to the sum of (1) Principal, (2) Premium, (3) Defeasance, and (4) Fees minus the Reserve Fund Credit and the Capitalized Interest Credit, where the terms "Principal," "Premium," "Defeasance," "Fees," "Reserve Fund Credit," and "Capitalized Interest Credit" have the following meanings:

"Principal" means the principal amount of Bonds to be redeemed and equals the quotient derived by dividing (a) the then applicable Maximum Special Tax for the Assessor's Parcel intending to prepay by (b) the expected aggregate Maximum Special Taxes, to be determined by the CFD Administrator, for CFD No. 1, (and excluding from (b) any Maximum Special Taxes for Assessor's Parcels which have prepaid the

Maximum Special Tax), and multiplying the quotient by the principal amount of outstanding Bonds. If the debt service for the Bonds is pledged to pay the debt service of bonds issued by any joint powers authority (the "Authority Bonds") and the principal amount of such Authority Bonds applicable to CFD No. 1 is greater than the principal amount of Bonds, then the quotient computed above shall be multiplied by the applicable principal amount of Authority Bonds.

"Premium" means an amount equal to the Principal multiplied by the applicable redemption premium, if any, for any Bonds and/or Authority Bonds so redeemed with the proceeds of any such prepayment.

"Defeasance" means an amount equal to the amount needed to pay interest on the Principal to be redeemed until the earliest redemption date for the outstanding Bonds less the amount CFD No. 1 will actually receive from the reinvestment of the difference of the Prepayment and the Fees until the redemption date for the outstanding Bonds to be redeemed with proceeds of any such prepayment. Credit shall also be given for any Special Tax heretofore paid and which has not yet been utilized to pay the Special Tax Requirement.

"Fees" equal the administrative fees and expenses of CFD No. 1 associated with the prepayment as calculated by the CFD Administrator and include, but are not limited to, the costs of computing the prepayment, the costs of removing any Special Taxes from the Assessor's Roll, the costs of redeeming the Bonds, and the costs of recording and publishing any notices to evidence the prepayment and the redemption of Bonds.

"Reserve Fund Credit" shall equal the lesser of (i) the expected reduction in the applicable Reserve Requirement (as defined in the Indenture), if any, following the redemption of Bonds from proceeds of the prepayment or (ii) the amount derived by subtracting the new Reserve Requirement in effect after the redemption of Bonds from proceeds of the prepayment from the balance in the Reserve Fund (as defined in the Indenture) on the prepayment date, but in no event shall such amount be less than zero.

"Capitalized Interest Credit" means the pro rata amount of capitalized interest allocable to the Assessor's Parcel intending to prepay the Special Tax, if any, determined by dividing (a) the then applicable Maximum Special Tax for the Assessor's Parcel intending to prepay by (b) the expected aggregate Maximum Special Taxes, to be determined by the CFD Administrator, for CFD No. 1, (and excluding from (b) any Maximum Special Taxes for Assessor's Parcels which have prepaid the Maximum Special Tax), and multiplying such quotient by the remaining amount of capitalized interest.

"Selected Parcels" means ten or more neighboring parcels within the same Final Subdivision.

The sum of the amounts calculated in the preceding steps shall be paid to CFD No. 1 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees associated with the prepayment. Upon the payment of such Prepayment to CFD No. 1, the obligation to pay the Special Tax for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cessation of the Special Tax for such Assessor's Parcel to be recorded within 30 working days of receipt of the Prepayment.

B. Prepayment in Full – Lot 26 of Tentative Tract Map 15902

The Maximum Special Tax for lot 26 of Tentative Tract Map ("TTM") 15902 may be prepaid and permanently satisfied ("TTM 15902 Prepayment") as described herein, provided that a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to the Assessor's Parcel associated with lot 26 of TTM 15902 and all other Assessor's Parcels which are under the same ownership and located within CFD No. 1. The owner of lot 26 of TTM 15902 intending to prepay the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for lot 26 of TTM 15902 and the date through which the amount of such prepayment shall be valid.

The amount of the TTM 15902 Prepayment shall be computed by application of Section 9(A), substituting "Principal" with the definition as follows:

"Principal" means the principal amount of Bonds to be redeemed and equals the quotient derived by dividing (a) the then applicable Backup Special Tax of the Zone in which the property is located (treating such property as Developed Property for purposes of applying the Backup Special Tax) multiplied by the acreage of the Assessor's Parcel intending to prepay by (b) the expected aggregate Maximum Special Taxes, to be determined by the CFD Administrator, for CFD No. 1, (and excluding from (b) any Maximum Special Taxes for Assessor's Parcels which have prepaid the Maximum Special Tax), and multiplying the quotient by the principal amount of outstanding Bonds. If the debt service for the Bonds is pledged to pay the debt service of bonds issued by any joint powers authority (the "Authority Bonds") and the principal amount of such Authority Bonds applicable to CFD No. 1 is greater than the principal amount of Bonds, then the quotient computed above shall be multiplied by the applicable principal amount of Authority Bonds.

The sum of the amounts calculated in the preceding steps shall be paid to CFD

No. 1 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees associated with the prepayment. Upon the payment of such Undeveloped Prepayment to CFD No. 1, the obligation to pay the Special Tax for such Assessor's Parcel shall be deemed to be permanently satisfied, the Special Tax shall not be levied thereafter on such Assessor's Parcel, and the CFD Administrator shall cause notice of cessation of the Special Tax for such Assessor's Parcel to be recorded within 30 working days of receipt of the Prepayment.

C. Prepayment in Part – Developed Property

The Maximum Special Tax for any Assessor's Parcel of Developed Property may be prepaid in part (a "Partial Prepayment") as described herein, provided that (i) a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to such Assessor's Parcel and all other Assessor's Parcels which are under the same ownership and located within CFD No. 1 and (ii) proceeds for any such prepayment are sufficient to permit the redemption of Bonds in such amounts and maturities deemed necessary by the CFD Administrator.

An owner of an Assessor's Parcel intending to prepay a portion of the Special Tax shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Assessor's Parcel and the date through which the amount any such prepayment shall be valid.

The amount of any Partial Prepayment shall be computed by application of Section 9(A), substituting the portion of the Maximum Special Tax to be prepaid for the Maximum Special Tax applicable to the Assessor's Parcel when computing Principal. The sum of the amounts calculated in the preceding steps shall be paid to CFD No. 1 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees associated with the prepayment. Upon the payment of such Partial Prepayment to CFD No. 1, the CFD Administrator shall provide a notice of reduction of the Special Tax for such Assessor's Parcel to the owner of such Assessor's Parcel within 30 working days of receipt of the Partial Prepayment. Furthermore, if requested in writing by the owner, the CFD Administrator shall also provide any subsequent owner of such Assessor's Parcel, for which a Partial Prepayment has been made, with a notice of reduction of Special Tax.

D. Prepayment in Part – Undeveloped Property in a Final Subdivision

The Maximum Special Tax may be prepaid in part for the Selected Parcels of Undeveloped Property in a Final Subdivision (a "Final Subdivision Partial Prepayment") as described herein, provided that (i) a prepayment may be made only if at the time of the prepayment there are no delinquent Special Taxes with respect to the Selected Parcels and all other Assessor's Parcels which are under the same ownership and located within CFD No. 1

and (ii) proceeds for any such prepayment are sufficient to permit the redemption of Bonds in such amounts and maturities deemed necessary by the CFD Administrator.

The owner intending to prepay a portion of the Special Tax for the Selected Parcels of Undeveloped Property in such Final Subdivision shall provide the CFD Administrator with written notice of intent to prepay. Within 30 days of receipt of such written notice, the CFD Administrator shall notify such owner of the prepayment amount for such Selected Parcels and the date through which the amount any such prepayment shall be valid.

The amount of any Final Subdivision Partial Prepayment shall be computed by application of Section 9(A), substituting the percentage of the Maximum Special Tax to be prepaid multiplied by the applicable Backup Special Taxes of the Tax Zone in which the Selected Parcels of the Final Subdivision is located (treating the property as Developed Property for purposes of applying the Backup Special Tax) for the term Maximum Special Tax when computing Principal. The sum of the amounts calculated in the preceding steps shall be paid to CFD No. 1 and shall be used to pay and redeem Bonds in accordance with the Indenture and to pay the Fees associated with the prepayment. Upon the payment of such Final Subdivision Partial Prepayment to CFD No. 1, the CFD Administrator shall provide a notice of reduction of the Special Tax for each Assessor's Parcel of the Selected Parcels of Taxable Property within the Final Subdivision to the owner of each Assessor's Parcel within 30 working days of receipt of the Final Subdivision Partial Prepayment. Furthermore, if requested in writing by the owner, the CFD Administrator shall also provide any subsequent owner of such Assessor's Parcel, for which a Final Subdivision Partial Prepayment has been made, with a notice of reduction of Special Tax.

Notwithstanding the foregoing in Sections 9(A), 9(B), 9(C) or 9(D), no prepayment shall be allowed unless the amount of Maximum Special Taxes that may be levied in CFD No. 1 pursuant to Section 4 after the proposed prepayment is at least the sum of (i) the Administrative Expenses and (ii) one hundred ten percent (110%) of the adjusted annual debt service for the Bonds, taking into account the amount of Bonds to remain outstanding after such prepayment.