

**FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 4
OF THE POWAY UNIFIED SCHOOL DISTRICT**

The following sets forth the First Amended Rate and Method of Apportionment for the levy and collection of Special Taxes of Poway Unified School District ("District") Community Facilities District No. 4 ("CFD No. 4"). Special Taxes as herein provided will be levied on and collected in CFD No. 4 each Fiscal Year, in an amount determined through the application of the First Amended Rate and Method of Apportionment described below. All the real property in CFD No. 4, unless exempted by law or by the provisions hereof, will be taxed for the purposes, to the extent, and in the manner herein provided.

A. DEFINITIONS

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

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

"Actual EDU Deficit" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is negative.

"Actual EDU Surplus" means, for each Final Map Area, the difference between (i) the Actual Final Map Area Quotient and (ii) the Average EDU times the number of Planned Units, provided such result is positive.

"Actual Final Map Area Quotient" means the sum of the Projected Development Block Quotients within a Final Map Area.

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 4 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of CFD No. 4 including the Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 4, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 4.

"Affordable Unit" means any Unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City or County providing for affordable housing.

"Annual Special Tax" means the Special Tax levied in any Fiscal Year on any Assessor's Parcel pursuant to Section K below.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all outstanding Bonds and other periodic costs on all outstanding Bonds or other obligations of CFD No. 4, (ii) Administrative Expenses of CFD No. 4, (iii) the costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds or other obligations of CFD No. 4, (v) lease payments for existing or future Facilities, and (vi) the accumulation of funds reasonably required for future debt service or for the construction, expansion, or rehabilitation of existing or future Facilities, less (vi) any amounts available to pay for debt service and Administrative Expenses pursuant to any bond indenture, fiscal agent, or trust agreement.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 4.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Annual Special Tax" means the Special Tax of that name described in Section I below.

"Assigned Unit" means any of up to 119 Units assigned to this Special Tax Class in writing to the Assistant Superintendent at the Developer's election at the time the applicable Building Permit is issued, provided that each such Unit is an Affordable Unit and/or a Companion Unit. Under no circumstances may the Developer assign more than 119 Units to this Special Tax Class.

"Assistant Superintendent" means the Assistant Superintendent, Business Support Services of the School District, or his designee.

"Average EDU" means 1.057.

"Board" means the Governing Board of Poway Unified School District or its designee as the legislative body of CFD No. 4.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds; notes; loans from government agencies, banks, other financial institutions, private businesses, or individuals; long-term contracts; or any other obligations, including any refunding thereof, which may be incurred by CFD No. 4 or the School District and to which Special Taxes are pledged.

"Building Permit" means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" will not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Feet" or "BSF" means the square footage of assessable internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

"Certificate of Improved Status" means a written certificate provided to the Assistant Superintendent by the Developer attesting to the completion and acceptance of all necessary infrastructure with respect to an Assessor's Parcel on which a Custom Unit is expected to be constructed.

"CFD No. 4" means Community Facilities District No. 4 established by the School District under the Act.

"City" means the City of San Diego.

"Companion Unit" means a Unit that is not a Senior Unit and which is (i) the second Unit for which a Building Permit is issued on an Assessor's Parcel if the Building Permits for the first two (2) Units are issued sequentially, or (ii) the smaller Unit, measured in terms of Building Square Feet, if the Building Permits are issued simultaneously for the first two (2) Units on an Assessor's Parcel. Additional Units after the second Unit on an Assessor's Parcel will not be classified as a Companion Unit, nor will any Unit on an Assessor's Parcel be classified as a Companion Unit if Building Permits are initially issued for more than two (2) Units on such Assessor's Parcel. In either such case described in the immediately preceding sentence, the Units that may not be classified as Companion Units will be classified as Production Units, provided that such Units are not classifiable as Affordable Units, Custom Units, or Senior Units.

"County" means the County of San Diego.

"Custom Unit" means a Unit identified in writing by the Developer to the Assistant Superintendent at the time a Final Map is recorded as a Unit which is owned or expected to be owned by a party not in the regular course of business of constructing Units or developing property.

"Developed Property" means all Assessor's Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year.

"Developer" means Santaluz, LLC.

"Developer's Account" means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section D below.

"Development Block" means any geographical region within a Final Map Area identified by the Developer no later than the time of the recordation of the first Final Map within a Final Map Area as sold or intended to be sold to a single purchaser.

"Development Block Special Tax" means the Special Tax of that name as described and calculated in Section G.

"Equivalent Dwelling Unit" or "EDU" means that number assigned to each Special Tax Class in accordance with Table 1.

"Excess Affordable Unit" means any Affordable Unit which is not an Assigned Unit.

"Excess Companion Unit" means any Companion Unit which is not an Assigned Unit.

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes in Section O.

"Facilities" means those school facilities (including land, equipment, furniture and technology) and other facilities which the School District is authorized by law to construct, own or operate.

"Final Map" means (i) that portion of a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates individual lots for which Building Permits could be issued or (ii) a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which Building Permits could be issued. The term "Final Map" will not include any parcel map or subdivision map or a portion thereof that does not create individual lots for which a Building Permit may be issued. The term "Final Map" will not include an interim final map or parcel map approved pursuant to provisions of law authorizing or permitting subdivision of land subject to restrictions requiring further subdivision before Building Permits may be issued.

"Final Map Area" means any of the geographical regions within CFD No. 4 which are shown as Final Map Areas in Exhibit A.

"Final Map Area Special Tax" means the Special Tax of that name as described and calculated in Section F.

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

"Golf Course Property" means any Assessor's Parcel utilized or expected to be utilized, as determined by the Assistant Superintendent, for golf course purposes, including fairways, greens, driving ranges, tennis facilities, club houses, locker rooms, maintenance facilities, garages, pro shops, restaurants, or banquet facilities.

"Gross Floor Area" or "GFA" means the covered and enclosed space determined to be within the perimeter of a commercial/industrial structure, not including any storage areas incidental to the principal use of the development, garage, parking structure, enclosed walkway, or utility or disposal area, as determined by reference to the building permit application for such Assessor's Parcel.

"Gross Prepayment Amount" means any of the amounts of that name shown in Table 5 below.

"Improved Property" means all Assessor's Parcels for which a Final Map has been recorded and on which one or more Custom Units will be built and for which the

Developer has completed a Certificate of Improved Status, attesting to the completion and acceptance of all necessary infrastructure.

"Index" means the Marshall & Swift Western Region Class D Wood Frame Index, or if the Marshall & Swift Western Region Class D Wood Frame Index ceases to be published, a reasonably comparable index determined by the Board to estimate changes in school construction costs, or in the absence of such an index, the Engineering News Record, Construction Cost Index (Los Angeles Area) published by McGraw-Hill, Inc.

"Inflator" means the greater of (i) two percent (2.00%) or (ii) the percentage generated from the following equation:

$$(4.00\% + 14.13\%) + (\text{Index} \times 85.87\%)$$

For purposes of this calculation, the change in the Index will be measured between the Index published in December of the prior Calendar Year and the Index published in December of the Calendar Year immediately preceding the prior Calendar Year.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit has been or could be issued, provided that land for which one or more Building Permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Map.

"Maximum Annual Special Tax" means the maximum Special Tax that can be levied by CFD No. 4 in any Fiscal Year on any Assessor's Parcel as defined in Section E.

"Minimum Gross Prepayment Amount" or **"MGPA"** means \$15,100.46 per EDU in Calendar Year 2000. In each Calendar Year thereafter, the MGPA will be increased by the Inflator.

"Net Prepayment Amount" means any of the amounts of that name shown in Table 5 below.

"One-Time Special Tax" means the single payment Special Tax which will be paid with respect to an Assessor's Parcel prior to a Building Permit being issued by the City or County for such Assessor's Parcel as shown in Table 3 below.

"Planned Unit" means any of the Units listed on the development plan from which the Assistant Superintendent calculated the Projected Development Block Quotient for a Development Block.

"Prepayment Amount" means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel, as described in Section L.

"Production Unit" means a Unit which is not an Affordable Unit, a Companion Unit, a Custom Unit, or a Senior Unit.

"Projected Development Block Quotient" means the sum of the EDUs of the Planned Units within a Development Block.

"Projected EDU Deficit" means any of those amounts of that name listed in Table 2 below.

"Projected EDU Surplus" means any of those amounts of that name listed in Table 2 below.

"Projected Final Map Area Quotient" means any of those amounts of that name listed in Table 2 below.

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

"Running EDU Total" means, for each Development Block, that number calculated and updated by the Assistant Superintendent pursuant to Section G.

"Running EDU Total Account" means the account of that name established and maintained by the Assistant Superintendent which will be credited and debited as described in Section G below.

"Senior Unit" means a Unit designated as senior citizen housing, residential care facilities for the elderly, or multi-level care facilities for the elderly as referred to in California Government Code Section 65995.1. For purposes hereof, it will be sufficient to designate units as Senior Citizen Housing if Senior Citizen Restrictions have been effected.

"Senior Citizen Restriction" means (i) a restriction limiting the use of Units to senior citizen housing under the Subarea Plan, a final map or other governmental entitlements, or a declaration of covenants, conditions and restrictions or any similar recorded instrument or (ii) licensing from appropriate agencies received for residential care facilities for the elderly or multi-level care facilities as those terms are defined in Health and Safety Code Section 1569.2 and Government Code Section 15432(d)(9), respectively.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 4 pursuant to the Act.

"Special Tax Class" means any of the special tax classes listed in Table 1 below.

"Taxable Property" means all Assessor's Parcels within the boundaries of CFD No. 4 which are not exempt from the Special Tax pursuant to law or Section O below.

"Undeveloped Property" means all Taxable Property which is not Developed Property, Improved Property, or Golf Course Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

B. CLASSIFICATION OF PROPERTY

1. Classification of Assessor’s Parcels by Land Use

Each Fiscal Year, each Assessor's Parcel will be classified as Exempt Property (as described in Section O) or Taxable Property. All Taxable Property will be further classified as Developed Property (i.e., Assessor’s Parcels for which a Building Permit was issued on or before January 1 of the prior Fiscal Year); Improved Property (see definition of Improved Property in Section A); Golf Course Property (see definition of Golf Course Property in Section A; or Undeveloped Property (i.e., all other Assessor’s Parcels of Taxable Property).

2. Classification of Units by Special Tax Class

Each Unit will be assigned to a Special Tax Class in accordance with Table 1 below. The EDUs for each Unit is also provided in Table 1 below.

Table 1

Special Tax Classes

Special Tax Class	Description	EDU
1	Production Unit (< 1,500 BSF)	0.25
2	Production Unit (1,500 – 2,249 BSF)	0.50
3	Production Unit (2,250 – 2,749 BSF)	0.75
4	Production Unit (2,750 – 3,149 BSF)	0.75
5	Production Unit (3,150 – 3,749 BSF)	0.75
6	Production Unit (3,750 – 4,049 BSF)	0.75
7	Production Unit (4,050 – 4,499 BSF)	0.85
8	Production Unit (4,500 – 4,999 BSF)	1.10
9	Production Unit (5,000 – 5,499 BSF)	1.40
10	Production Unit (5,500 – 5,999 BSF)	1.50
11	Production Unit (6,000 – 6,499 BSF)	1.60
12	Production Unit (6,500 + BSF)	1.80
13	Custom Unit	2.20
14	Assigned Unit	0.00
15	Excess Companion Unit	0.25
16	Excess Affordable Unit	0.00
17	Senior Unit	0.00

3. Classification of Assessor’s Parcels by Final Map Area

Each Assessor’s Parcel will be assigned to a Final Map Area in accordance with Exhibit A.

The Projected Final Map Area Quotient for each Final Map Area, as shown in Table 2 below, reflects the sum of the EDUs projected to be constructed within such Final Map Area. The Projected EDU Surplus or Projected EDU Deficit, as applicable, for each Final Map Area, as shown in Table 2 below, reflects the extent to which such Final Map Area is expected to subsidize or be subsidized by other Final Map Areas. A Projected EDU Surplus indicates that the Final Map Area is expected to generate more Special Taxes than needed to mitigate its school facilities impact. Conversely, a Projected EDU Deficit indicates that the Final Map Area is expected to generate insufficient Special Taxes to mitigate its school facilities impact. Therefore, a Projected EDU Surplus indicates that the Final Map Area is subsidizing other Final Map Areas while a Projected EDU Deficit indicates that the Final Map Area is being subsidized by other Final Map Areas. For the entire CFD No. 4, the sum of all the Projected EDU Surpluses and Projected EDU Deficits is approximately zero (0). Therefore, as a whole, CFD No. 4 is expected to produce exactly the amount of Special Taxes needed to mitigate its school facilities impact.

Table 2

**Projected Final Map Area Quotients
and Projected EDU Surpluses/(Deficits)**

Final Map Area	Projected Final Map Area Quotient	Projected EDU Surplus/(Deficit) ¹
1	162.30	(56.42)
2	104.85	(16.66)
3	104.25	3.87
4	134.10	24.21
5	41.70	5.77
6	63.80	33.16
7	61.60	32.01
8	55.00	28.58
9	30.80	16.01
10	0.00	0.00
11	48.00	(19.62)
12	47.25	(19.32)
13	55.65	(19.37)
14	56.45	(12.23)
1. These amounts do not sum exactly to zero (0) because of rounding.		

4. Classification of Assessor's Parcels by Development Block

At the recordation of the first Final Map in a Final Map Area, each Assessor's Parcel within such Final Map Area will be assigned to a Development Block (i.e., a geographical region within a Final Map Area that has been sold or is intended to be sold by the Developer to a single purchaser). In most cases, there will be several Development Blocks within a Final Map Area. In all cases, the Development Blocks within a Final Map Area, taken together, will make up the entire Final Map Area.

C. DEVELOPMENT PLAN CALCULATIONS

At or before the recordation of the first Final Map in a Final Map Area, the Developer must provide the Assistant Superintendent with a development plan for each Development Block within such Final Map Area. The development plan must be in a form satisfactory to the Assistant Superintendent and must identify the expected EDUs of each Planned Unit (i.e., each Unit expected to be constructed) in such Development Block. Based upon this information (or, if the Developer fails to provide the required information in a form satisfactory to the Assistant Superintendent, then at his own reasonable discretion), the Assistant Superintendent will calculate for each such Development Block (i) a Projected Development Block Quotient (i.e., the sum of the EDUs of the Planned Units within a Development Block), (ii) an Actual EDU Surplus or Actual EDU Deficit, as applicable (see definitions of Actual EDU Surplus and Actual EDU Deficit in Section A), and (iii) an Actual Final Map Area Quotient (i.e., the sum of the Projected Development Block Quotients).

For each Development Block, the Projected Development Block Quotient will be used in calculating the Development Block Special Taxes, if any, that will be due, as described in Section G. Prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. After the issuance of all Bonds, the Actual Final Map Area Quotient will be used in calculating the Final Map Area Special Taxes, if any, that will be due for such Final Map Area, as described in Section F. In addition, prior to the issuance of all Bonds, the Actual EDU Surplus or Actual EDU Deficit, as applicable, will be used in determining the amount, if any, which the Developer's Account must be credited, as described in Section D.

D. DEVELOPER'S ACCOUNT

Prior to the recordation of the first Final Map in CFD No. 4, a Developer's Account will be established, and thereafter will be maintained by the Assistant Superintendent. The Developer's Account will be credited and debited as described below.

1. Credits to Developer's Account

a. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, CFD No. 4 will credit the Developer's Account at the recordation of the first Final Map within a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is greater (i.e., more positive) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the credit will be equal to the dollar equivalent of such excess (i.e., unexpectedly positive) EDUs and will be calculated as described below:

Step One: Subtract the Projected EDU Surplus or Projected EDU Deficit, as applicable, from the Actual EDU Surplus or Actual EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the credit to the Developer's Account.

For convenience, an example of a Developer's Account credit calculation is provided below:

Actual EDU Surplus		4.0
Projected EDU Surplus		2.5
Minimum GPA		\$15,100.46
Credit	=	(4.0– 2.5) H \$15,100.46
	=	\$22,650.69

b. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Developer's Account will not be credited.

2. Debits to the Developer's Account

a. Debits for Final Map Area Special Taxes

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. Similarly, after the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. Whenever a Final Map Area Special Tax is due, the Developer may debit the Developer's Account to pay for some or all of such Final Map Area Special Tax, provided that the Developer's Account contains sufficient credits to cover such debits. If the balance of the Developer's Account is insufficient to cover such debits at such time, the unsatisfied portion of such Final Map Area Special Tax must be paid in cash.

b. Debits After Final Map Recordations

If credits remain in the Developer's Account after at least one Final Map has been recorded in every Final Map Area, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

c. Debits After Issuance of All Bonds

If credits remain in the Developer's Account after the issuance of all Bonds, as determined by the Assistant Superintendent, the entire balance of the Developer's Account will be debited, the Developer's Account will be closed, and such balance will be reimbursed to the Developer in cash from the next available Bond proceeds after all other obligations have been satisfied.

E. MAXIMUM ANNUAL SPECIAL TAX

1. Developed Property

The Maximum Annual Special Tax for each Assessor's Parcel of Developed Property in each Fiscal Year will be the sum of (i) the Assigned Annual Special Tax and (ii) the amount of any portion of any Special Tax previously levied and not collected with respect to the Assessor's Parcel.

2. Improved Property

The Maximum Annual Special Tax for each Assessor's Parcel of Improved Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the greater of (a) the Assigned Annual Special Tax or (b) the Back-Up Annual Special Tax.

3. Golf Course Property

The Maximum Annual Special Tax for each Assessor's Parcel of Golf Course Property in each Fiscal Year will be the One-Time Special Tax.

4. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel of Undeveloped Property in each Fiscal Year will be the sum of (i) the Final Map Area Special Tax, (ii) the Development Block Special Tax, (iii) the One-Time Special Tax, and (iv) the Assigned Annual Special Tax.

F. FINAL MAP AREA SPECIAL TAX

At the recordation of the first Final Map in a Final Map Area, a Final Map Area Special Tax for the Assessor's Parcels within that Final Map Area will be calculated as described below.

1. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual EDU Surplus or Actual EDU Deficit is less than (i.e., more negative) than a Projected EDU Surplus or Projected EDU Deficit. The amount of the Final Map

Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual EDU Surplus or Actual EDU Deficit, as applicable, from the Projected EDU Surplus or Projected EDU Deficit, as applicable.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation prior to the issuance of all Bonds is provided below:

Projected EDU Deficit	(1.5)
Actual EDU Deficit	(3.0)
MGPA	\$15,100.46

Final Map Area Special Taxes	=	$((-1.5) - (-3.0)) \times \$15,100.46$
	=	\$22,650.69

It should be noted that neither locating a Custom Unit on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax prior to the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax prior to the issuance of all Bonds only to the extent that they cause the Actual EDU Surplus or Actual EDU Deficit for the applicable Final Map Area to be less than (i.e., more negative) than the Projected EDU Surplus or Projected EDU Deficit for such Final Map Area.

2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, a Final Map Area Special Tax will be due for a Final Map Area when an Actual Final Map Area Quotient is less than a Projected Final Map Area Quotient. The amount of the Final Map Area Special Tax will be equal to the dollar equivalent of such deficit (i.e., unexpectedly negative) EDUs and will be calculated as described below:

Step One: Subtract the Actual Final Map Area Quotient from the Projected Final Map Area Quotient.

Step Two: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Final Map Area Special Tax.

For convenience, an example of a Final Map Area Special Tax calculation after the issuance of all Bonds is provided below:

Projected Final Map Area Quotient	32.0
Actual Final Map Area Quotient	25.5
MGPA	\$15,100.46

$$\begin{aligned} \text{Final Map Area Special Taxes} &= (32.0 - 25.5) \times \$15,100.46 \\ &= \$98,152.99 \end{aligned}$$

It should be noted that neither locating a Custom Unit located on more than one (1) Lot nor combining Lots for the placement of a Custom Unit will necessarily trigger the levy of a Final Map Area Special Tax after the issuance of all Bonds. Such occurrences will trigger the levy a Final Map Area Special Tax after the issuance of all Bonds to the extent that it is causes the Actual Final Map Area Quotient for the applicable Final Map Area to be less than the Projected Final Map Area Quotient for such Final Map Area.

G. DEVELOPMENT BLOCK SPECIAL TAX

Prior to the issuance of a Building Permit for the construction of a Unit on an Assessor’s Parcel, the Development Block Special Tax for such Assessor’s Parcel will be calculated as described below.

1. Assignment of Units to Planned Units

Each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will assign such Unit to a Planned Unit in such Development Block, provided that no more than one (1) Unit may be assigned to any Planned Unit. In addition, each time a Building Permit is issued for the construction of a Unit, the Assistant Superintendent will update the Running EDU Total for such Development Block. The Assistant Superintendent will perform such assignment and such update as described below.

a. Assignment of Units to Planned Units

The Assistant Superintendent will assign each Unit to a Planned Unit in the following order of priority:

- i. The Assistant Superintendent shall assign the Unit to a Planned Unit with the same number of EDUs as the Unit.
- ii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a lower number of EDUs than the Unit.
- iii. The Assistant Superintendent shall assign the Unit to a Planned Unit with a greater number of EDUs than the Unit.

b. Update of Running EDU Total

The Assistant Superintendent will update the Running EDU Total for each Development Block as follows:

- i. If the Unit is assigned pursuant to Section G.1.a.i. above, then no adjustment shall be made to the Running EDU Total.
- ii. If the Unit is assigned pursuant to Section G.1.a.ii. above, then the Running EDU Total shall be increased by the difference between the EDUs of the Unit and the EDUs of the Planned Unit.
- iii. If the Unit is assigned pursuant to Section G.1.a.iii. above, then the Running EDU Total shall be decreased by the difference between the EDUs of the Planned Unit and the EDUs of the Unit, provided that if such decrease would otherwise reduce the Running EDU Total below zero (0), then the Running EDU Total will be reduced to zero and Development Block Special Tax will be due. In this event, the amount of the Development Block Special Tax will be calculated pursuant to Section G.2 below, and will be paid first by credits in the Running EDU Total Account (see Section G.3. below) to the extent such credits are available, and then, when such credits are not available, in cash, as described in Section G.3.b. below.

It should be noted that a Custom Lot located on more than one (1) Lot will not necessarily trigger the levy a Development Block Special Tax. Such a Custom Unit will only trigger the levy of a Development Block Special Tax to the extent that it reduces the Running EDU Total below zero (0).

2. Calculation of Development Block Special Tax

Subject to the foregoing, the Development Block Special Tax with respect to each Building Permit will be equal to the dollar equivalent of the EDU deficit described in Section G.1.B.iii. above and will be calculated as described below:

- Step One: Add the EDUs of the Unit and the Running EDU Total.
- Step Two: Subtract the result of Step One from the EDUs of the Planned Unit.
- Step Three: Multiply the result of the Step One by the Minimum Gross Prepayment Amount in effect at the current Calendar Year. The result is the Development Block Special Tax.

For convenience, an example of a Development Block Special Tax calculation is provided below:

EDUs of Planned Unit:	4.0	
EDUs of Unit:	2.0	
Running EDU Total	1.0	
MGPA	\$15,100.46	
Development Block Special Taxes	= (4.0 – (2.0 + 1.0)) H \$15,100.46	
	= \$15,100.46	

3. Running EDU Total Account

The Assistant Superintendent will establish and maintain a Running EDU Total Account as follows:

a. Credits to Running EDU Total Account

After all the Building Permits expected to be issued within a Development Block have been issued, as determined by the Assistant Superintendent, the Assistant Superintendent will credit Running EDU Total Account in an amount equal to (i) the full amount of the Running EDU Total applicable to such Development Block at such time times (ii) the Minimum Gross Prepayment Amount in effect at such time.

b. Debits to Running EDU Total Account

Whenever a Development Block Special Tax is due, the Assistant Superintendent shall debit the Running EDU Total Account to pay for such Development Block Special Tax, provided that the Running EDU Total Account contains sufficient credits to cover such debits. If the balance of the Running EDU Total Account is insufficient to cover such debits at such time, the unsatisfied portion of such Development Block Special Tax must be paid in cash.

H. ONE-TIME SPECIAL TAX

Prior to the issuance of a Building Permit for any Assessor's Parcel of Undeveloped Property or Improved Property, a One-Time Special Tax will be due. The One-Time Special Tax in each Calendar Year will be calculated in accordance with Table 3 below, subject to adjustment as described below.

Table 3

Calendar Year 2000 One-Time Special Tax

Special Tax Class	Description	CY 2000 One-Time Special Tax
1	Production Unit (< 1,500 BSF)	\$2,000.00 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$3,444.52 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$3,927.27 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$4,768.05 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$5,445.09 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$6,242.07 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$6,857.54 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$7,674.37 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$8,320.00 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$9,198.40 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$9,998.40 per Unit
12	Production Unit (6,500 + BSF)	\$10,398.40 per Unit
13	Custom Unit	\$13,325.00 per Unit
14	Assigned Unit	\$1,000.00 per Unit
15	Excess Companion Unit	\$2,000.00 per Unit
16	Excess Affordable Unit	\$7,057.21 per Unit
17	Senior Unit	\$0.3314 per BSF
NA	NA	\$0.3314 per GFA

For each Calendar Year after Calendar Year 2000, the One-Time Special Tax will be increased by the Inflator.

I. ASSIGNED ANNUAL SPECIAL TAX

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be calculated in accordance with Table 4 below, subject to adjustment as described below.

Table 4

Fiscal Year 2000-01 Assigned Annual Special Tax

Special Tax Class	Description	FY 2000-01 Assigned Annual Special Tax
1	Production Unit (< 1,500 BSF)	\$239.75 per Unit
2	Production Unit (1,500 – 2,249 BSF)	\$479.50 per Unit
3	Production Unit (2,250 – 2,749 BSF)	\$719.25 per Unit
4	Production Unit (2,750 – 3,149 BSF)	\$719.25 per Unit
5	Production Unit (3,150 – 3,749 BSF)	\$719.25 per Unit
6	Production Unit (3,750 – 4,049 BSF)	\$719.25 per Unit
7	Production Unit (4,050 – 4,499 BSF)	\$815.15 per Unit
8	Production Unit (4,500 – 4,999 BSF)	\$1,054.90 per Unit
9	Production Unit (5,000 – 5,499 BSF)	\$1,342.60 per Unit
10	Production Unit (5,500 – 5,999 BSF)	\$1,438.50 per Unit
11	Production Unit (6,000 – 6,499 BSF)	\$1,534.40 per Unit
12	Production Unit (6,500 + BSF)	\$1,726.20 per Unit
13	Custom Unit	\$2,109.80 per Unit
14	Assigned Unit	\$0.00 per Unit
15	Excess Companion Unit	\$239.75 per Unit
16	Excess Affordable Unit	\$0.00 per Unit
17	Senior Unit	\$0.00 per Unit
NA	NA	\$0.00 per GFA

For Custom Units which are located on more than one (1) Assessor's Parcel, the Assigned Annual Special Tax shall be allocated to each Assessor's Parcel *prorata* based upon the Acreage of each applicable Assessor's Parcel.

For each Fiscal Year after Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in the Fiscal Year in which such Assessor's Parcel is first classified as Developed Property will be increased by the Inflater. For each Fiscal Year after the first Fiscal Year in which each Assessor's Parcel was classified as Developed Property, the Assigned Annual Special Tax for such Assessor's Parcel in such Fiscal Year will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

2. Improved Property

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Improved Property will be \$719.25 per Assessor's Parcel. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

3. Undeveloped Property

For Fiscal Year 2000-01, the Assigned Annual Special Tax for each Assessor's Parcel of Undeveloped Property will be \$2,660.00 per acre of Acreage. For each Fiscal Year thereafter, the Assigned Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year, provided that no such increase shall occur more than 15 Fiscal Years after the issuance of all Bonds, and in no event shall any such increase occur after Fiscal Year 2030-31.

J. BACK-UP ANNUAL SPECIAL TAX FOR IMPROVED PROPERTY

Backup-Annual Special Taxes are required in order to ensure that CFD No. 4 will be able to levy a sufficient amount of Annual Special Taxes to satisfy the Annual Special Tax Requirement in the event that development plans change significantly after the issuance of Bonds. Annual Special Taxes will be levied pursuant to the third step of Section K only to the extent necessary to satisfy the Annual Special Tax Requirement.

For Fiscal Year 2000-01, the Back-Up Annual Special Tax for each Assessor's Parcel of Improved Property will be \$2,660.00 per acre of Acreage, provided that no Back-Up Annual Special Tax shall be in effect (i) prior to the issuance of Bonds or (ii) after the issuance of all Bonds. Subject to the foregoing, for each Fiscal Year after Fiscal Year 2000-01, the Back-Up Annual Special Tax for such Assessor's Parcel will be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

K. METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2001-02 and for each subsequent Fiscal Year, the Assistant Superintendent will determine the Annual Special Tax Requirement to be collected from Taxable Property in such Fiscal Year. The Special Tax will be levied as follows until the amount of the levy equals the Annual Special Tax Requirement:

First: The Annual Special Tax will be levied on each Assessor's Parcel of Developed Property and Improved Property at the Assigned Annual Special Tax.

Second: If the sum of the amounts levied on Assessor's Parcels in the first step is less than the Annual Special Tax Requirement, then an Annual Special Tax will be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax to satisfy the Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second step is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Improved Property shall be increased Proportionately up to the Back-Up Annual Special Tax to satisfy the Annual Special Tax Requirement.

L. PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

If there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to an Assessor’s Parcel, the Annual Special Tax obligation of an Assessor's Parcel for which a Building Permit has been issued may be prepaid in full in the manner described below. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 4 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Assistant Superintendent shall determine the Prepayment Amount of such Assessor's Parcel as described below and shall notify such owner of such Prepayment Amount.

1. Prior to Issuance of All Bonds

Prior to the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for an eligible Assessor’s Parcel shall be the applicable Net Prepayment Amount less any Partial Prepayment Amounts actually made with respect to such Assessor’s Parcel. Table 5 below shows the Net Prepayment Amounts applicable in Calendar Year 2000. For convenience, Table 5 below also shows the derivation of each Net Prepayment Amount, which was determined by subtracting the applicable One-Time Special Tax from the applicable Gross Prepayment Amount.

TABLE 5

Calendar Year 2000 Net Prepayment Amounts

Special Tax Class	CY 2000 Gross Prepayment Amount	CY 2000 One-Time Special Tax	CY 200 Net Prepayment Amount
1	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
2	\$15,955.43 per Unit	\$3,444.52 per Unit	\$12,510.91 per Unit
3	\$15,955.43 per Unit	\$3,927.27 per Unit	\$12,028.16 per Unit
4	\$15,955.43 per Unit	\$4,768.05 per Unit	\$11,187.38 per Unit
5	\$15,955.43 per Unit	\$5,445.09 per Unit	\$10,510.34 per Unit
6	\$15,955.43 per Unit	\$6,242.07 per Unit	\$9,713.37 per Unit
7	\$15,955.43 per Unit	\$6,857.54 per Unit	\$9,097.89 per Unit
8	\$16,945.50 per Unit	\$7,674.37 per Unit	\$9,271.13 per Unit
9	\$20,119.62 per Unit	\$8,320.00 per Unit	\$11,799.62 per Unit
10	\$21,840.85 per Unit	\$9,198.40 per Unit	\$12,642.45 per Unit
11	\$23,483.68 per Unit	\$9,998.40 per Unit	\$13,485.28 per Unit
12	\$25,569.34 per Unit	\$10,398.40 per Unit	\$15,170.94 per Unit
13	\$31,867.26 per Unit	\$13,325.00 per Unit	\$18,542.26 per Unit
14	\$1,000.00 per Unit	\$1,000.00 per Unit	\$0.00 per Unit
15	\$15,955.43 per Unit	\$2,000.00 per Unit	\$13,955.43 per Unit
16	\$7,057.21 per Unit	\$7,057.21 per Unit	\$0.00 per Unit
17	\$0.3314 per BSF	\$0.3314 per BSF	\$0.00 per Unit

For each Calendar Year after Calendar Year 2000, the Net Prepayment Amounts will be increased by the Inflation.

2. After Issuance of All Bonds

After the issuance of all Bonds, as determined by the Assistant Superintendent, the Prepayment Amount for each eligible Assessor's Parcel shall be the amount calculated as shown below.

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
<u>less</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. Divide the Assigned Annual Special Tax for the Assessor's Parcel by the estimated Assigned Annual Special Taxes applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Assistant Superintendent.
2. Multiply the result of paragraph 1 above by the principal amount of Bonds outstanding. The result is the "Bond Redemption Amount."
3. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
4. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 8) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
5. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
6. Subtract the amount computed pursuant to paragraph 5 from the amount computed pursuant to paragraph 4. This difference is the "Defeasance."
7. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
8. Determine the lesser of: (a) the expected reduction in the applicable reserve requirement, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by

subtracting the new reserve requirement in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve fund on the prepayment date. If the result is greater than zero, then the result is the "Reserve Fund Credit." If the result is less than zero, then no Reserve Fund Credit shall be given.

9. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

M. PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAX OBLIGATION

Prior to the issuance of the first Building Permit in a Development Block, the owner of all the Assessor's Parcels in the Development Block may elect to prepay a portion of the applicable Annual Special Tax obligation for all the Assessor's Parcels in such Development Block. The owner desiring such a partial prepayment shall notify the Assistant Superintendent of (i) such owner's intent to partially prepay the Annual Special Tax obligation and (ii) the percentage by which the Annual Special Tax obligation shall be prepaid. The partial prepayment of the Annual Special Tax obligation for each such Assessor's Parcel shall be collected prior to the issuance of a Building Permit.

The Partial Prepayment Amount shall be calculated as follows:

$$PP = P_L H F$$

These terms have the following meanings:

PP = the Partial Prepayment Amount

P_L = the Prepayment Amount calculated according to Section L

F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

With respect to an Annual Special Tax obligation that is partially prepaid, the Assistant Superintendent shall indicate in the records of CFD No. 4 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such partial prepayment of the Annual Special Tax obligation to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax obligation shall cease.

Notwithstanding any of the foregoing, no prepayment will be allowed unless the sum of the Assigned Annual Special Taxes applicable to Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

N. TERMINATION OF ANNUAL SPECIAL TAX

The Annual Special Tax will be levied no later than Fiscal Year 2045-46, provided that the Annual Special Tax will cease to be levied in an earlier Fiscal Year if the Assistant Superintendent has determined that (i) all required interest and principal payments on all issued Bonds have been paid and (ii) CFD No. 4 will issue no additional Bonds.

O. EXEMPTIONS

The Assistant Superintendent will classify as Exempt Property (i) properties owned by the State of California, Federal or other local governments except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Government Code, (ii) properties used as places of worship and which are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) properties owned or designated for use by a homeowners' association, (iv) properties encumbered with public or utility or access easements making impractical their utilization for purposes other than those set forth in the easement, or (v) other properties not used or expected not to be used for commercial/industrial or residential use, as determined at the reasonable discretion of the Assistant Superintendent, provided that no such classification would reduce the Acreage of Taxable Property to less than 522.44 acres.

P. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is disputed. The Assistant Superintendent will promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund will not be made (except for the last Fiscal Year of levy), but an adjustment will be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

Q. MANNER OF COLLECTION

1. Final Map Area Special Taxes

The Final Map Area Special Tax applicable to a Final Map Area, if any, will be due prior to the issuance of the first Building Permit in such Final Map Area, and shall be levied *pro rata* on each Assessor's Parcel of Taxable Property within such Final Map Area based upon the Acreage of such Assessor's Parcels. Notwithstanding the foregoing, the Assistant Superintendent shall give the

Developer written notice of the amount of the Final Map Area Special Tax due at least fifteen (15) days prior to enrolling such Final Map Area Special Tax with the County, provided that the first Building Permit is issued in such Final Map Area at least thirty (30) days prior to the due date for enrolling Special Taxes with the County, and if such written notice is given, then the Developer shall have ten (10) days to pay the Final Map Area Special Taxes before the Assistant Superintendent may enroll the Final Map Area Special Taxes with the County. Moreover, notwithstanding the foregoing, no Building Permits will be issued in such Final Map Area until all Final Map Area Special Taxes which are due for such Final Map Area are paid.

2. **Development Block Special Taxes**

Development Block Special Taxes due for any Assessor's Parcel in a Final Map Area will be due prior to the issuance of the first Building Permit for such Assessor's Parcel. No Building Permits will be issued for any Assessor's Parcels in such Final Map Area until such Development Block Special Taxes are paid.

3. **One-Time Special Taxes**

One-Time Special Taxes due for any Assessor's Parcel will be due prior to the issuance of the applicable Building Permit for such Assessor's Parcel.

4. **Annual Special Taxes**

The Annual Special Taxes will be collected in the same manner and at the same time as regular *ad valorem* property taxes, provided, however, that Annual Special Taxes may be collected at a different time or in a different manner if necessary to meet its financial obligations.