

**REDLANDS UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2006-1
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax (defined below) applicable to each Parcel (defined below) or portion thereof within Community Facilities District No. 2006-1 ("CFD No. 2006-1") of the Redlands Unified School District ("School District") shall be annually levied and collected according to the tax liability determined by the Board of Education ("Board"), through the application of the rate and method of apportionment of the Special Tax set forth below. All of the property in the CFD No. 2006-1, unless exempted by law or by the provisions of this Rate and Method of Apportionment of Special Tax, shall be taxed to the extent and in the manner herein provided.

I. DEFINITIONS

The terms hereinafter set forth have the following meanings:

Acre or Acreage: means the land area of a 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 or plan recorded with the County. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be reasonably determined by the Assistant Superintendent of Business Services or a designee.

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

Administrative Fees or Expenses: means the actual or estimated costs incurred by the School District to determine, levy and collect the Special Taxes, including reasonably allocable salaries of School District employees and the fees of consultants, legal counsel, corporate bond-paying agents, fiscal agents, and bond trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; cost of arbitrage calculation and arbitrage rebates, preparation of required reports; and any other costs required to administer the CFD No. 2006-1 as reasonably determined by the School District.

Assessable Space: means the square footage of assessable 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.

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

Board: means the Board of Education of the Redlands Unified School District, in some cases acting as the Legislative Body of the CFD No. 2006-1, or its designee, as applicable.

Bonds: means obligations incurred by or on behalf of the CFD No. 2006-1, including Special Tax Bonds, and existing School District indebtedness secured by the Special Taxes.

Building Permit: means a permit for the construction of one or more Units. For purposes of this definition, "Building Permit" shall 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.

CFD No. 2006-1: means Community Facilities District No. 2006-1 of the Redlands Unified School District.

County: means the County of San Bernardino.

Developed Property: means, for each Fiscal Year, all Taxable Property for which a Building Permit for new construction was issued on or before June 30 of the prior Fiscal Year.

Discharged Property: means any Parcel that has been discharged from the Special Tax obligation in full as a result of a payment of the Prepayment Amount (as defined below).

Exempt Property: means all Parcels designated as being exempt from Special Taxes in Section VII.

Final Map: means the final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates legally transferable building sites, recorded in the County Office of the Recorder.

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

Maximum Annual Special Tax: means the maximum Special Tax, determined in accordance with Section III that can be levied by the CFD No. 2006-1 in any Fiscal Year on any Parcel of Taxable Property.

Parcel: means a lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's parcel number, or on a recorded final tract map, parcel map, lot line adjustment or other functionally equivalent map or instrument.

Project: means residential dwelling units consisting of single family or multi-family dwelling units exclusive of Commercial Development and AR/DU, as defined herein, developed on property to be included in the CFD No. 2006-1 and which is subject to final adjustment as open space is removed and the final maps of each tract are finalized and recorded.

Property Owner Association Property: means any property within the boundaries of the CFD No. 2006-1 owned in fee or by easement or irrevocably offered for dedication

to a property owner association, including any master or sub-association and restricted of record so as to not be usable for residential or commercial purposes.

Public Property: means any property within the boundaries of the CFD No. 2006-1 that is used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to any agency of the federal government, the State of California, the County, any city, or any other public agency.

School District: means the Redlands Unified School District.

Special Tax: means any of the special taxes authorized to be levied by the CFD No. 2006-1 pursuant to the Act.

Taxable Property: means all Parcels which are not Discharged Property or Exempt Property.

Undeveloped Property: means all Taxable Property which is not designated as Developed Property. If a Building Permit has been issued for which the improvements to be constructed by the Building Permit together with previously issued Building Permits, if applicable, does not constitute the ultimate development of the entire Parcel, as reasonably determined by the School District, the remaining undeveloped portion of the Parcel will be classified as Undeveloped Property and will be subject to the levy of the Maximum Annual Special Tax – Undeveloped Property as herein provided.

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

II. CLASSIFICATION OF PARCELS

At the beginning of each Fiscal Year, using the definitions above, the Board shall cause each Parcel to be classified as Developed Property, Undeveloped Property, Discharged Property or Exempt Property and shall be subject to Special Taxes in accordance with the Section III and IV below.

III. MAXIMUM ANNUAL SPECIAL TAX RATES

The Maximum Annual Special Tax Rates for Fiscal Year 2006/07 are as follows:

Property Classification	Maximum Annual Special Tax Rates Fiscal Year 2006/07
Developed Property	\$0.35961 per square foot of Assessable Space
Undeveloped Property	\$968.17 per acre
Discharged Property	\$0.00
Exempt Property	\$0.00

On each July 1, commencing on July 1, 2007, the Maximum Annual Special Taxes of CFD No. 2006-1 shall increase by an amount based on the greater of the annual percentage change in the Marshall and Swift Class B Construction Cost Index (the

“Index”) or two percent (2.00%). For each Fiscal Year, commencing July 1, 2007, the annual percentage change in the Index for purposes of the preceding sentence shall be based on the change from (a) the Index published for July of the previous Fiscal Year to (b) the Index published for July of the current Fiscal Year. However, after the first Fiscal Year a Parcel is classified as Developed Property, the Maximum Annual Special Tax on such Parcel shall thereafter increase by two percent (2.00%) of the amount in effect for the previous Fiscal Year.

IV. APPORTIONMENT OF SPECIAL TAX

Commencing with the first Fiscal Year for which the Special Tax is levied and for each following Fiscal Year, the Board shall determine the amount of Special Taxes that shall be levied each Fiscal Year as follows:

First: The Special Tax shall be levied on each Parcel of Developed Property in the amount of one hundred percent (100%) of the applicable Maximum Annual Special Tax; and

Second: By reason of default in the payment of the Special Taxes required for existing debt service and reasonable Administrative Expenses, the Special Tax shall be levied on each Parcel of Undeveloped Property up to the amount of one hundred percent (100%) of the Maximum Annual Special Tax for Undeveloped Property. However, under no circumstances shall the total Special Taxes levied on all Parcels of Undeveloped Property in a given Fiscal Year exceed the total amount of the currently outstanding defaults, as determined on July 1 of each Fiscal year or as reasonably close to July 1 as data on such defaults of all Parcels of Developed Property for Special Taxes levied in the previous Fiscal Year is available.

Once a Special Tax has been paid by an owner of Undeveloped Property due to a Parcel which has been delinquent or in default on the payment of its Special Taxes and the District is able to meet the current Fiscal Year existing debt service and reasonable Administrative Expenses, any repayment of such delinquency or default by the owner of such Parcel shall be paid directly to (on a proportional basis and within a reasonable period of time following receipt of such payment) the owners of the Undeveloped Property as shown in the records of the County at the time the assessor data is provided to the School District on or about July 1 of each Fiscal Year. It is not the duty nor a requirement of the School District to research who actually paid each installment of special tax and shall refund such monies to the owner as identified above unless a copy of the cancelled check is provided to School District with a letter detailing the parcel and request for such ownership modification (i.e. for purposes of determining the appropriate payee) prior to payment by the District.

V. TERM OF SPECIAL TAX

The Special Tax shall be levied against each Parcel for a period of thirty-five (35) years beginning with the Fiscal Year in which such Parcel becomes designated as Developed Property.

VI. DISCHARGE OF SPECIAL TAX REQUIREMENT (PREPAYMENT)

Any property owner in the CFD No. 2006-1 who desires to prepay the Special Tax on a particular Parcel in full shall notify the School District and the CFD No. 2006-1 in writing of such intention, and shall pay a non-refundable deposit in an amount determined by the School District (to be applied against the "Prepayment Amount"). The School District shall reasonably determine the Prepayment Amount and notify the property owner of such amount within 30 days of receipt of such non-refundable deposit. Such prepayment may be made only for a Parcel of Developed Property. The Prepayment Amount shall be computed as follows:

$$P = PVT + \text{Premium} + C, \text{ where}$$

P = Prepayment Amount

PVT = Present Value of Special Taxes

C = Costs

Prepayment Amount (P): shall mean the amount required for the owner of the Parcel to discharge the Special Tax obligation in full.

Present Value of Special Taxes (PVT): shall mean the present value of the Maximum Annual Special Tax rate applicable to the Parcel in each Fiscal Year remaining until the Fiscal Year ending thirty-five (35) years after the Fiscal Year in which such Parcel becomes designated as Developed Property, increased for each remaining Fiscal Year by two percent (2.00%), and using the yield on any Bonds [or other securities of the CFD No. 2006-1], not to exceed six percent (6.00%), as the discount rate if such bonds have been issued or sold and using six percent (6.00%) as the discount rate if no such bonds have been issued or sold.

Premium: shall mean, if Bonds have been issued, the Bond redemption premium associated with the redemption of Bonds. If no Bonds have been issued, no premium shall be applied.

Costs (C): shall mean the pro rata share applicable to the Parcel of fees of the CFD No. 2006-1, the fiscal agent, the special tax consultant and any consultants retained by the CFD No. 2006-1 in connection with the prepayment and defeasance calculations required for the discharge of the Special Tax Lien, and redemption of Bonds, if any.

In addition, any Property owner prepaying the Special Tax obligation must pay to the County any and all delinquent Special Taxes, interest charges and penalties applicable to that Parcel prior to making such prepayment.

With respect to a Special Tax obligation that is prepaid pursuant to this Section VI the School District shall indicate in the records of the CFD No. 2006-1 that there has been a prepayment of the Special Tax obligation for such Parcel and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment and verification of the payment to the County of the current Fiscal Year Special Tax to indicate the prepayment of the Special Tax obligation and the release of the Special Tax lien on such Parcel, and the obligation of such Parcel to pay such Special Taxes shall thereupon cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Special Taxes that may be levied on Taxable Property, net of ordinary Administrative Expenses, shall be at least one and one-tenth (1.1) times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the School District.

VII. EXEMPTIONS

No Special Tax of CFD No. 2006-1 shall be levied at any time on commercial/industrial property ("Commercial Development") or senior citizen age-restricted housing ("AR/DU") consistent with the requirements of Government Code Section 65995.1, Property Owner Association Property or Public Property. Such exemption from the Special Tax shall become effective at the conclusion of the Fiscal Year in which a Parcel qualifies for any of the categories described above. However, 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 in accordance with its use as herein specified. Furthermore, should a Parcel be classified initially as Property Owner Association Property or Public Property and subsequently have its status changed to a taxable use, its tax-exempt status shall be terminated. Development of any property that is classified as Exempt Property shall be subject to the School District's applicable statutory school fees.

VIII. 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 the Special Tax may be collected at a different time or in a different manner if necessary to meet its financial obligations. Unless otherwise provided by the Board or in the Bond issuance documents, the Special Tax shall be subject to the same penalties and procedures, sale and lien priority in the case of delinquency, as provided for with *ad valorem* taxes. In the event of a delinquency, the Board will pursue foreclosure as specified in the Bond documents if Bonds are issued or as determined by the Board if Bonds are not issued.

IX. REVIEW AND APPEAL

Any Property owner who believes that the Special Tax levied on their property is in error may file an Appeal with the School District Superintendent or the designee thereof no later than May 1 of the Fiscal Year in which the levy occurred. The School District Superintendent, or designee, will review the appeal and, if necessary, meet with the

applicant, consider written and oral evidence regarding the Special Tax and decide the merits of the appeal. If the findings of the School District Superintendent or designee verify that the Special Tax levied in such Fiscal Year should be modified, the Special Tax levy for future Fiscal Years shall be corrected solely by means of adjustments to future Special Tax levies and no cash refunds shall be made. Any dispute over the decision of the School District Superintendent or designee shall be referred to the Board and the decision of the Board shall be final.