

**Redlands Unified School District
Community Facilities District 2001-1
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX**

A Special Tax applicable to each Parcel or portion thereof within Community Facilities District No. 2001-1 of the Redlands Unified School District ("CFD No. 2001-1") shall be annually levied and collected according to the tax liability determined by the Board, through the application of the rate and method of apportionment of the Special Tax as set forth below. All of the property in the CFD No. 2001-1, 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.

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.

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 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; costs of arbitrage calculation and arbitrage rebated, preparation of required reports; and any other costs required to administer the CFD No. 2001-1 as 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.

Board: means the Board of Education of the Redlands Unified School District, in some cases acting as the Legislative Body of the CFD No. 2001-1, or its designee, as applicable.

Bonds: means obligation incurred by or on behalf of the CFD No. 2001-1, 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 2001-1: means Community Facilities District No. 2001-1 of the Redlands Unified School District.

County: means the County of San Bernardino.

Developed Property: means any parcel for which a Building Permit has been issued for new construction after July 1, 2000, and prior to July 1 of the prior Fiscal Year beginning July 1, 2001.

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

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

Final Map: means the final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates 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. 2001-1 in any Fiscal Year on any Parcel of Taxable Property.

Parcel: means a County assessor's parcel that is within the boundaries of CFD No. 2001-1, based on the equalized tax rolls of the County as of January 1 in the prior Fiscal Year.

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 that property known as East Highlands Ranch to be included in the CFD No. 2001-1 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. 2001-1 owned in fee or by easement or irrevocably offered for dedication to a property owner association, including any master or sub-association and is restricted of record so as not to be usable for residential or commercial purposes. However, notwithstanding the above, any of such property which constitutes the "pad-area" located directly under a residential or non-residential building shall not be considered Property Owner Association Property.

Public Property: means any property within the boundaries of the CFD No. 2001-1 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, the 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. 2001-1 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.

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

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 or Undeveloped Property and shall be subject to Special Taxes in accordance with the Section III below.

MAXIMUM ANNUAL SPECIAL TAX RATES

The Maximum Annual Special Tax Rates are as follows:

Property Classification	Maximum Annual Special Tax Rates
Developed Property	\$0.27672 per sq ft of Assessable Space
Undeveloped Property	\$745.00 per acre
Discharged Property	\$0.00
Exempt Property	\$0.00

On each July 1, commencing on July 1, 2001, the Maximum Annual Special Taxes of CFD No. 2001-1 shall increase by an amount based on the greater of the change in the Marshall and Swift Class D Wood Frame Index or two percent (2%). However, after a parcel becomes classified as Developed Property, the Maximum Annual Special Tax on such Parcel shall thereafter increase by two percent (2%) of the amount in effect for the previous Fiscal Year.

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 costs, 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 of all Parcels of Developed Property for Special Taxes levied in the previous Fiscal Year.

Under no circumstances shall the Maximum Annual Special Tax levied against any class of Developed Property be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other class of Taxable Property within the CFD No. 2001-1. Once a Special Tax has been paid by Undeveloped Property for a Parcel which has been delinquent or in default by the owner of such Parcel, plus any interest collected, shall be paid directly to the parties who were owners of the Undeveloped Property at the time the Special Tax was paid by the Undeveloped Property.

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.

DISCHARGE OF SPECIAL TAX REQUIREMENT (PREPAYMENT)

Any property owner in the CFD No. 2001-1 who desires to prepay the Special Tax on a particular Parcel in full shall notify the School District and the CFD No. 2001-1 in writing of such intention, and upon payment by such property owner of a non-refundable deposit in amount determined by the School District (to be applied against the "Prepayment Amount"). Such prepayment may be made only for a parcel of Developed Property. The Prepayment Amount shall be computed as follows:

$P = PVT + \text{Premium} + C$, 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 year by the greater of two percent (2%) or the historical average of the Marshall & Swift Class D Construction Cost Index commencing the year the Parcel was designated as Exempt Property and using the yield on any Bonds [or other securities of the CFD No. 2001-1], 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 prepayment and defeasance costs (not to exceed three percent (3%) of PVT) associated with the redemption of Bonds. If no Bonds have been issued, no premium shall be applied.

Costs (C): shall mean the fees of the CFD No. 2001-1, the fiscal agent, the special tax consultant and any consultants retained by the CFD No. 2001-1 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 prepay 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 Board shall indicate in the records of the CFD No. 2001-1 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 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 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 Board.

EXEMPTIONS

No Special Tax of the CFD No. 2001-1 shall be levied at any time on commercial/industrial property ("Commercial Development") or senior citizens' housing consistent with the requirements of Government Code Section 65995.1 ("AR/DU"), Property Owner Association Property as herein defined or Public Property as herein defined. 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 herein specified. Furthermore, should an Assessor's Parcel be classified as Property Owner Association Property or Public Property and then change its status to a taxable use, its tax-exempt status shall be terminated.

NOTICE OF CANCELLATION

The parties involved in the formation of the CFD No. 2001-1 intend that only Developed Property should be subject to the Special Tax except as to Undeveloped Property as specified in Section IV. However, at the time of the formation of the CFD No. 2001-1, the configuration of relevant assessor's parcels and the application of the provisions of the Act may prevent the Board from establishing definitive boundaries of the CFD No. 2001-1 coterminous with the final boundaries of the Project. Therefore, property which is not included in the final Project may also be necessarily included within the boundaries of the CFD No. 2001-1. To ensure that property which is not located within the final Project is not affected as a result of inclusion within the CFD No. 2001-1, the Board shall take the following actions at the times and under the conditions specified below.

As Final Maps are recorded in the County Office of the Recorder with respect to the Project, any Parcel created outside of the final Project will be required to satisfy its obligations to the District as provided by applicable law and not be subject to the Special Taxes of the CFD No. 2001-1. Upon request of the Owner thereof after such recordation of a parcel or final subdivision map excluding area from the Project, the Board shall record, or cause to be recorded, a Notice of Cancellation with respect to such Parcel to the extent it is outside the Project, provided that the Board shall not be obligated to take any such action until documentation is provided to the Board showing to the Board's satisfaction that the relevant final map(s) has been recorded in the County Office of the Recorder. Notwithstanding the foregoing, in instances in which it is unclear whether a Parcel, after the recordation of a Final Map(s) with respect to such Parcel, should be located within the final Project, the Board may wait until all Final Maps have been recorded before determining to record, or cause to be

recorded, a Notice of Cancellation with respect to such Parcel, provided that until such determination is made, such Parcel shall continue to be classified pursuant to Section III. Until such Notice of Cancellation is determined by the District to be recorded, an area in the CFD No. 2001-1 shall be subject to the Special Taxes of the CFD No. 2001-1.

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.

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 their 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 their 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 their designee, shall be referred to the Board and the decision of the Board shall be final.