

RATE AND METHOD OF APPORTIONMENT

**FOR
TUSTIN UNIFIED SCHOOL DISTRICT**

**COMMUNITY FACILITIES DISTRICT NO. 06-1
(COLUMBUS SQUARE)**

A Special Tax shall be levied on all Assessor's Parcels in Tustin Unified School District Community Facilities District No. 06-1 (Columbus Square) ("CFD No. 06-1") and collected each Fiscal Year commencing in Fiscal Year 2006-2007, in an amount determined through the application of the Rate and Method of Apportionment as described below. All of the real property in CFD No. 06-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on 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 recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage of such parcel multiplied by 43,560.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 06-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the District, CFD No. 06-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the District, CFD No. 06-1 or any designee thereof of complying with District, CFD No. 06-1 or obligated persons disclosure requirements of applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the District, CFD No. 06-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from any escrow account, if any; and the District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the District or CFD No. 06-1 for any other administrative purposes of CFD No. 06-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure as a result of delinquent Special Taxes.

"Affordable Units" means residential dwelling units located on one or more Assessor's Parcels of Residential Property that are subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the City providing for affordable housing. Affordable Units shall be further classified as Moderate Income, Lower Income, or Very Low Income (as defined in Sections 50079.5, 50093, and 50105 of the California Health and Safety Code), with the total number of Affordable Units not to exceed 24 Moderate Income units, 64 Lower Income units and 25 Very Low Income units. Affordable Units constructed within the CFD shall be designated by the CFD Administrator in the chronological order in which the building permits for such units are issued. However, if the total number of Affordable Units constructed in any one of the three affordable income categories exceeds the amount stated above for such income category and as further identified in Amendment No. 1 of the Affordable Housing Plan and Density Bonus Application for Planning Areas 4 and 5 at Tustin Legacy as Amendment No. 1 existed as of February 10, 2006, then the units exceeding such total shall be not be considered Affordable Units and shall be assigned to a Land Use Class based on the type of use and Residential Floor Area for each such unit.

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

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

"Assigned Special Tax" means for Developed Property the Assigned Special Tax Rates as shown in Table 1, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Backup Special Tax" means the Special Tax per Residential Dwelling Unit as described in Section 'D.'

"Board" means the Board of Education of Tustin Unified School District acting as the legislative body of CFD No. 06-1.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 06-1 under the Act.

"Buildout" means, for CFD No. 06-1, that all expected building permits have been issued.

"CFD Administrator" means an official of the District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 06-1" means Community Facilities District No. 06-1 of Tustin Unified School District (Columbus Square), as identified on the boundary map for CFD No. 06-1.

"City" means the City of Tustin.

"County" means the County of Orange.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property and Taxable Property Owner Association Property, for which a building permit

for new construction was issued after January 1, 2005 and prior to July 1 of the current Fiscal Year.

“District” means the Tustin Unified School District.

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

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

"Homebuyer" means the initial purchaser of one or more dwelling units of Residential Property for which the City of Tustin has signed off on the building permit for occupancy.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

"Land Use Class" means any of the classes listed in Table 1 below.

"Maximum Special Tax" means the greater of the Assigned or Backup Special Tax determined in accordance with Table 1 and Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

“Mitigation Agreement” means that agreement entitled School Facilities Funding and Mitigation Agreement Between Tustin Unified School District and Moffett Meadows Partners, LLC Et Al. executed on January 10, 2006 between the District and the landowners of property within the CFD.

"Non-Residential Property" means all Assessor's Parcels of Developed Property (excluding Property Owner Association Property) for which a building permit permitting the construction of one or more non-residential units or facilities has been issued by the City of Tustin.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Previously Issued Bonds" means, for any Fiscal Year, all Outstanding Bonds that are deemed to be outstanding under the Indenture after the first interest and/or principal payment date following the current Fiscal Year.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 06-1 that was owned by a property owner association, including any master or sub-association, as of January 1 of the prior Fiscal Year.

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

Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property. The term "Proportionately" may similarly be applied to other categories of Taxable Property as listed in Section E below.

"Public Property" means property within the boundaries of CFD No. 06-1 owned by, irrevocably offered or dedicated to, or over, through or under which an easement for purposes of public right-of-way has been granted, to the federal government, the State, the County, the City of Tustin, the District, or any local government or other public agency provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified according to its use.

"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 for an Assessor's Parcel shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Residential Property" means all Assessor's Parcels of Developed Property for which a building permit permitting the construction thereon of one or more residential dwelling units has been issued by the City.

"Senior Unit" means either senior citizen housing, a residential care facility for the elderly or a multilevel facility for the elderly as those facilities are defined under Section 65995.1(a) of the California Government Code, as such exists as of January 1, 2006, but not to exceed 240 distinct habitable dwelling units.

"Single-Family Attached Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for attached residential units which are not considered to constitute Affordable Units or Senior Units.

"Single-Family Detached Property" means all Assessor's Parcels of Residential Property for which building permits have been issued for detached residential units which are not considered to constitute Affordable Units or Senior Units.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within CFD No. 06-1 to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 06-1 to: (i) pay debt service on all Outstanding Bonds due in the calendar year commencing in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement on the Bonds due in the calendar year commencing in such Fiscal Year; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay for reasonably anticipated Special Tax delinquencies based on the delinquency rate for the Special Tax levy in the previous Fiscal Year; and (vi) an additional amount that when added to subparagraphs (i) through (v) does not exceed the aggregate amount of Assigned Special Taxes that can be levied on Developed Property, which pending completion of the School Facilities (as defined in the Mitigation Agreement) shall be added to the Cost/Revenue Contingency Amount (as defined in the Mitigation Agreement) and after completion of the School Facilities such additional amount may be used by the District for any use consistent with applicable law.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 06-1 which are not exempt from the Special Tax pursuant to law or Section F below.

"Taxable Property Owner Association Property" means, for each Fiscal Year, all Assessor's Parcels of Property Owner Association Property that are not exempt from the Special Tax pursuant to Section F below.

"Taxable Public Property" means, for each Fiscal Year, all Assessor's Parcels of Public Property that are not exempt from the Special Tax pursuant to Section F below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Public Property or Taxable Property Owner Association Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 06-1 shall be classified as Developed Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C, D, and E below. Residential Property shall be assigned to Land Use Classes 1 through 16 as listed in Table 1 below based on the type of use and the Residential Floor Area for each unit. Non-Residential Property shall be assigned to Land Use Class 17.

C. SPECIAL TAX

1. Developed Property

(a). Maximum Special Tax

The Maximum Special Tax for each Land Use Class of Developed Property for Fiscal Year 2006-07 shall be the greater of the Backup Special Tax as set forth in Section 'D' or the Assigned Special Tax as shown below in Table 1.

TABLE 1

Assigned Special Tax for Developed Property in
Tustin Unified School District Community Facilities District No. 06-1
(Columbus Square)
Fiscal Year 2006-2007

Land Use Class	Description	Residential Floor Area	Assigned Special Tax Per D/U
1	Single Family Detached Property	>3,600 s.f.	\$2,815
2	Single Family Detached Property	3,226 - 3,600 s.f.	\$2,507
3	Single Family Detached Property	2,851 – 3,225 s.f.	\$2,199
4	Single Family Detached Property	2,476 – 2,850 s.f.	\$1,891
5	Single Family Detached Property	2,101 -2,475 s.f.	\$1,583
6	Single Family Detached Property	<= 2,100 s.f.	\$1,275
7	Single Family Attached Property	> 2,550 s.f.	\$1,690
8	Single Family Attached Property	2,301 – 2,550 s.f.	\$1,522
9	Single Family Attached Property	2,051 – 2,300 s.f.	\$1,354
10	Single Family Attached Property	1,801 – 2,050 s.f.	\$1,186
11	Single Family Attached Property	1,551 -1,800 s.f.	\$1,018
12	Single Family Attached Property	<= 1,550 s.f.	\$850
13	Senior Units	NA	\$0
14	Affordable Units – Moderate	NA	\$150
15	Affordable Units – Low	NA	\$75
16	Affordable Units – Very Low	NA	\$45
17	Non-Residential Property	NA	\$20,412.91*

* Per acre of Non-Residential Property.

(b). Increase in the Assigned Special Tax

On each July 1, commencing on July 1, 2007, the Assigned Special Tax listed in Table 1 above shall be increased by two percent (2%).

(c). Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Maximum Special Tax levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes for all Land Use Classes located on that Assessor's Parcel.

2. Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property

(a). Maximum Special Tax

The Fiscal Year 2006-2007 Maximum Special Tax for Undeveloped Property, Taxable Public Property, and Taxable Property Owner Association Property shall be \$20,412.91 per Acre. On each July 1, commencing on July 1, 2007, the

Maximum Special Tax for Undeveloped Property, Taxable Public Property and Taxable Property Owner Association Property shall be increased by two percent (2%).

D. BACKUP SPECIAL TAX

1. Backup Special Tax Rates

The initial Backup Special Tax Rates established for each of the product types proposed to be developed as either Single-Family Attached Property or Single-Family Detached Property and taxed within the CFD for Fiscal Year 2006-07 are as shown below in Table 2:

TABLE 2

Backup Special Tax Rates for Developed Property in
Tustin Unified School District Community Facilities District No. 06-1
(Columbus Square)
Fiscal Year 2006-2007

Planning Areas	Product Description	Estimated D/Us (Excluding Affordables)	Net Taxable Acreage (Excl Aff)	Backup Special Tax Per D/U
PA 4-1:4-6	Gables (SFD 55x90)	84	10.71	\$2,603
PA 4-12:4-13,5-3	Verandas (Carriage Homes 36x75)	97	7.33	\$1,543
PA 4-7:4-11	Astoria (Carriage Homes 50x90)	102	11.26	\$2,253
PA 5-4	Mirabella (Luxury Towns)	60	2.90	\$987
PA 5-7	Cambridge (Courtyard/Garden Towns)	106	4.82	\$929
PA 5-5:5-6	Camden (Three Story/Row Towns)	159	6.32	\$812
PA 5-1, 5-2	Meriwether (Triplex Condos)	114	7.12	\$1,275

2. Increase in the Backup Special Tax Rates

On each July 1, commencing on July 1, 2007, the Backup Special Tax listed in Table 1 above shall be increased by two percent (2%).

3. Changes and Modification to the Final Map

In the event that changes are made to Final Map No. 16581, the CFD Administrator shall determine the amount of Special Tax applicable to the changed or modified Planning Area within the Final Map prior to the change or modification. The CFD Administrator will compute the revised Backup Special Tax Per D/U in accordance with the following formula as it would apply to any planning areas, or portions thereof for which the recordation of a final map, parcel map or lot line adjustment would cause a change in the number of estimated dwelling units (excluding Affordable Units) or the net taxable acreage (excluding Affordable Units) as set forth in Table 2:

- B = Backup Special Tax per residential unit for the applicable Fiscal Year
- Z = Assigned Special Tax per acre of Acreage of Undeveloped Property for the applicable Fiscal Year
- A = Acreage of Taxable Property expected to exist in the applicable Planning Area at build-out per Final Map No. 16581 as shown in Table 2 or as amended.
- L = Number of residential units within the applicable planning area or series of Planning Areas based on the Final Map, excluding units classified as Affordable Units or Senior Units, as shown in Table 2.

$$B = (Z \times A) / L$$

E. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2006-2007 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement and shall levy the Special Tax on Developed Property at the Assigned Special Tax Rates as set forth in Table 1, as adjusted each July 1 and, if necessary, on all other Taxable Property until the total Special Tax levy equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows:

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

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

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Developed Property for which the applicable Maximum Special Tax is equal to the Backup Special Tax up to the Maximum Special Tax;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Taxable Property Owner Association Property at up to the Maximum Special Tax for Taxable Property Owner Association Property;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor’s Parcel of Taxable Public Property at up to the Maximum Special Tax for Taxable Public Property.

F. EXEMPTIONS

No Special Tax shall be levied on up to 32.8 Acres of Property Owner Association Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as Property Owner Association Property, its tax-exempt status will be revoked.

No Special Tax shall be levied on up to 0.2 Acres of Public Property. Tax-exempt status will be assigned by the CFD Administrator in the chronological order in which property becomes Public Property. However, should an Assessor's Parcel no longer be classified as Public Property, its tax-exempt status will be revoked.

Public Property or Property Owner Association Property that is not exempt from the Special Tax under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the third and fourth steps in Section E.1.

G. APPEALS AND INTERPRETATIONS

Any landowner or resident who feels that the amount of the Special Tax levied on such landowner's or resident's Assessor's Parcel is in error may submit a written appeal to CFD No. 06-1. The CFD Administrator shall review the appeal and if the CFD Administrator concurs, the amount of the Special Tax levied shall be appropriately modified.

The Council may interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguity and make determinations relative to the amount of Administrative Expenses and any landowner or resident appeals. Any decision of the Council shall be final and binding as to all persons.

H. MANNER OF COLLECTION

The Special Tax will be collected in the same manner as ordinary *ad valorem* property taxes or in such other manner as the Council shall determine, including direct billing of the affected property owners.

I. PREPAYMENT OF SPECIAL TAX

1. Full or Partial Prepayment Prior to Issuance of Building Permit

The obligation of an Assessor's Parcel to pay the Special Tax may be prepaid and permanently satisfied as described herein provided that a prepayment may be made only for Assessor's Parcels of Developed Property or Undeveloped Property for which a building permit has been issued, and only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. Prepayments must occur in groups of at less eight lots representing a discrete development phase as determined by the CFD Administrator and must be made before conveyance of those lots to individual homeowners. The owner of eight or more Assessor's Parcels intending to prepay the Special Tax obligation 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. The CFD Administrator may charge a reasonable fee for providing this service. Prepayment must

be made not less than 60 days prior to the next occurring date that notice of redemption of Bonds from the proceeds of such prepayment may be given by the Trustee pursuant to the Indenture.

The Special Tax Prepayment Amount (defined below) shall be calculated as summarized below (capitalized terms as defined below):

Bond Redemption Amount plus Redemption Premium plus Defeasance Amount plus Administrative Fees and Expenses less Reserve Fund Credit less Capitalized Interest Credit

Total: equals Prepayment Amount

As of the proposed date of prepayment, the Special Tax Prepayment Amount (defined below) shall be calculated as follows:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Maximum Special Tax for the current Fiscal Year applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property (for which a building permit has been issued) to be prepaid, compute the Maximum Special Tax for the current Fiscal Year applicable for that Assessor's Parcel as though it was already designated as Developed Property, based upon such building permit.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 06-1 based on the Developed Property Special Tax which could be levied in the current Fiscal Year on all expected development through Buildout, excluding any Assessor's Parcels for which the Special Tax has been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Previously Issued Bonds to compute the amount of Previously Issued Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (e.g., the redemption price-100%), if any, on the Previously Issued Bonds to be redeemed (the "Redemption Premium").
6. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Previously Issued Bonds.
7. Determine the Special Tax levied on the Assessor's Parcel in the current Fiscal Year which has not yet been paid.
8. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Special Tax Prepayment Amount less the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Previously Issued Bonds to be redeemed with the prepayment.

9. Add the amounts computed pursuant to paragraphs 6 and 7 and subtract the amount computed pursuant to paragraph 8 (the "Defeasance Amount").
10. Verify the administrative fees and expenses of CFD No. 06-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
11. If reserve funds for the Previously Issued Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Previously Issued Bonds to be redeemed pursuant to the prepayment (the "Reserve Fund Credit"). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
12. If any capitalized interest for the Previously Issued Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund or account under the Indenture after the next pending interest and/or principal payment for which bonds can be called as a result of the prepayment (Capitalized Interest Credit).

For a prepayment in full, the Special Tax Prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 9 and 10, less the amounts computed pursuant to paragraphs 11 and 12 and for a partial prepayment the Special Tax Prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 9 and 10, less the amounts computed pursuant to paragraphs 11 and 12 multiplied by a discrete percentage (expressed as a decimal) ranging between 0 and 100% (the "Prepayment Amount").

From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 9, 11 and 12 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Previously Issued Bonds or make debt service payments. The amount computed pursuant to paragraph 10 shall be retained by CFD No. 06-1.

The Special Tax Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Council shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of the Special Tax and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless, at the time of such proposed prepayment, the amount of Maximum Special Tax that may be levied on Taxable Property within CFD No. 06-1 (after excluding 32.8 Acres of Property Owner Association Property and 0.2 Acres of Public Property as set forth in Section F) both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Previously Issued Bonds, plus the cost of annual CFD administration.

2. Full or Partial Prepayment Subsequent to Conveyance to Homebuyer

The prepayment of special taxes after conveyance to homeowner may be allowed by the CFD subsequent to Board action approving the methodology and procedures for the prepayment of special taxes subsequent to the issuance of a building permit.

J. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed forty years commencing with Fiscal Year 2006-2007.