
**COMMUNITY FACILITIES DISTRICT NO. 4
(COLLEGE PARK)
IMPROVEMENT AREA B
OF CHINO VALLEY UNIFIED SCHOOL DISTRICT
MODIFIED RATE AND METHOD OF
APPORTIONMENT**

A Special Tax shall be levied on all Taxable Property (as defined below) within the boundaries of Improvement Area B of Community Facilities District No. 4 (College Park) ("IA B of CFD No. 4") of the Chino Valley Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2012/2013 in an amount determined by the Board (as defined below), through the application of this Modified Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

"Acreage" or **"Acre"** 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. An Acre means 43,560 square feet of land.

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

"Annual Special Tax" means for each Assessor's Parcel, the Special Tax actually levied in a Fiscal Year on such Assessor's Parcel.

"Assessor" means the Assessor of the County.

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

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section 3 below.

“Backup Tax Area” means a Special Tax Area for which the Projected Special Tax Revenues have been used to size a series of Special Tax Bonds that have been issued and sold.

“Board” means the Board of Education of the School District, or its designee, acting as the legislative body of IA B of CFD No. 4 under the provisions of the Act.

“Bonds” means any obligation to pay or repay a sum of money, including obligations in the form of bonds, Special Tax Bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, secured in whole or in part by the levy of Special Taxes.

“Building Permit” means a building permit issued for new construction of one or more Residential Units within IA B of CFD No. 4.

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

“CFD Administrator” means an authorized representative of the School District, or designee thereof, responsible for determining the Special Tax Requirement, for levying the Special Taxes , calculating the Backup Special Tax following recordation of the Final Subdivision Maps, and calculating the One-Time Special Tax .

“County” means the County of San Bernardino, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Provisional Undeveloped Property, for which a Building Permit was issued prior to April 1 of the previous Fiscal Year.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 9.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, 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 or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

“IA B of CFD No. 4” means Improvement Area B of Community Facilities District No. 4 (College Park) of the School District.

“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, and any instrument replacing or supplementing the same.

“Lot” means an individual legal lot created by a Final Subdivision Map.

“Maximum Special Tax” means for each Assessor’s Parcel of Taxable Property, the greatest amount of Special Tax, determined in accordance with Section 3 below, which may be levied.

“One-Time Special Tax” means a one-time Special Tax applicable to an Assessor’s Parcel of Taxable Property payable at the time a Building Permit is issued and determined in accordance with Section 4 of this Modified Rate and Method of Apportionment.

“Outstanding Bonds” means all Bonds, which are deemed to be outstanding under the Indenture.

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax Obligation applicable to a parcel of Taxable Property as set forth in Section 7 below.

“Projected Special Tax Revenues” means the Special Tax revenues expected to be generated by a Special Tax Area as shown on Table 1, as amended, of Exhibit A. The amount of Projected Special Tax Revenues for each Special Tax Area shall equal \$1,226.16 multiplied by the number of expected Residential Units in such Special Tax Area. Notwithstanding the foregoing, the Projected Special Tax Revenues for a Special Tax Area that is modified pursuant to the last paragraph of Section 3A(ii) may be greater than \$1,226.16 per expected Residential Unit.

“Property Owner Association Property” means any Assessor’s Parcel within the boundaries of IA B of CFD No. 4 owned in fee by a property owner association, including any master or sub-association.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the Annual Special Tax 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 Annual Special Tax 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 described in Section 5 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of Property Owner Association Property or property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 9A, but cannot be classified as Exempt Property as set forth in Section 9B.

“Residential Floor Area” means all of the square footage of usable area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, or similar area. The determination of Residential Floor Area shall be made by reference to the Building Permit(s) issued for such Assessor’s Parcel.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units.

“School District” means the Chino Valley Unified School District.

“School Fees” means statutory fees imposed by the School District, in accordance with Government Code Section 65995 et seq and Education Code Section 17620.

“Special Tax” means any special tax authorized to be levied within IA B of CFD No. 4 pursuant to the Act and this Modified Rate and Method of Apportionment.

“Special Tax Area” means an area within IA B of CFD No. 4 for which a Final Subdivision Map has not been recorded. The initial Special Tax Areas are identified on the map and Table 1 of the attached Exhibit A. Table 1 shall be updated concurrent with the issuance of each series of Special Tax Bonds, and may be updated after the issuance of Special Tax Bonds, all as further described in Section 3 below.

“Special Tax Bonds” means any bonds of CFD No. 4, IA B whether in one or more series, secured solely by the levy of Special Taxes of CFD No. 4, IA B.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of IA B of CFD No. 4.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay regularly scheduled Debt Service on all Outstanding Bonds; (ii) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) the costs associated with the release of funds from an escrow account established in association with the Bonds; (vi) accumulate funds to pay directly for acquisition or construction of facilities provided that the inclusion of such

amount does not cause an increase in the Special Tax to be levied on Undeveloped Property, and (vii) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (viii) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of IA B of CFD No. 4, which are not exempt from the levy of the Special Tax pursuant to law or Section 9 below.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of IA B of CFD No. 4 not classified as Developed Property or Provisional Undeveloped Property.

2. PROPERTY CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2012/2013, each Assessor's Parcel within IA B of CFD No. 4 shall be classified as Taxable Property or Exempt Property. In addition, each Fiscal Year, all Taxable Property within IA B of CFD No. 4 shall be classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Modified Rate and Method of Apportionment determined pursuant to Sections 3, 4 and 5 below.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property

(i). Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the greater of (i) \$1,226.16 or (ii) the amount derived by application of the Backup Special Tax, if applicable.

(ii). Backup Special Tax

Each Assessor's Parcel of Developed Property within an area which has been designated as a Backup Tax Area shall be subject to a Backup Special Tax. Assessor's Parcels not within a Backup Tax Area shall not be subject to a Backup Special Tax.

The Backup Special Tax amount for each Assessor's Parcel of Developed Property within a Backup Tax Area shall be calculated according to the following formula:

$$B = \frac{Z}{L}$$

The terms above have the following meanings:

B = Backup Special Tax per Assessor's Parcel of Developed Property within the applicable Backup Tax Area.

Z = the Projected Special Tax Revenues for the applicable Backup Tax Area.

L = Total number of Lots within the applicable Backup Tax Area that lie within the boundaries of IA B of CFD No. 4.

Immediately prior to the sale of each series of Special Tax Bonds, the CFD Administrator shall request information to update each column of Table 1 based on then-current development plans from the developer(s) of the property within IA B of CFD No. 4. Updates may result in a different number of Special Tax Areas, and the CFD Administrator shall indicate in the administrative records of IA B of CFD No. 4 the Special Tax Areas, if any, for which the Projected Special Tax Revenues have been used to size a series of Special Tax Bonds.

After the issuance of Special Tax Bonds, an updated Table 1 may also be provided by the developer(s) of property within IA B of CFD No. 4 to the CFD Administrator for the purpose of splitting a Special Tax Area that is also a Backup Tax Area into multiple Special Tax Areas. In such event, the Projected Special Tax Revenues after such modification must be greater than or equal to the Projected Special Tax Revenues attributable to such Special Tax Area prior to such modification. The most recently updated Table 1 shall be used by the CFD Administrator to calculate the amount of any Backup Special Tax pursuant to this Section 3.

B. Provisional Undeveloped Property and Undeveloped Property.

The Maximum Special Tax for Provisional Undeveloped Property and Undeveloped Property shall be \$8,073 per Acre.

4. ONE-TIME SPECIAL TAX

Each Assessor's Parcel of Taxable Property within IA B of CFD No. 4 shall be subject to a One-Time Special Tax. The One-Time Special Tax shall be calculated by the following formula.

$$STB = \frac{F - \$5.11 * S}{}$$

STB = One-Time Special Tax per Assessor's Parcel.

F = the greater of (a) \$5.11, or (b) 125% of the School Fees at the time of Building Permit issuance.

S = the actual square footage of Residential Floor Area of a Residential Unit(s).

Collection of the One-Time Special Tax shall be made by the School District at the time a Building Permit is issued.

5. METHOD OF APPORTIONMENT

For each Fiscal Year the Board shall levy Special Taxes on all Taxable Property in accordance with the following steps:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to \$1,226.16;

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 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 levy of the Special Tax on each Assessor's Parcel of Developed Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be

increased Proportionately from \$1,226.16 up to 100% of the Maximum Special Tax for each such Assessor's Parcel; and

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 Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within IA B of CFD No. 4, except for those Assessor's Parcels of Developed Property whose owners are also delinquent or in default on their Special Tax payments for one or more other properties within IA B of CFD No. 4.

6. COLLECTION OF ANNUAL SPECIAL TAXES

Collection of the Annual Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Board may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes to meet the financial obligations of IA B of CFD No. 4.

7. PREPAYMENT OF SPECIAL TAX OBLIGATION

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor's Parcel of Taxable Property in IA B of CFD No. 4 may be prepaid and the obligation of the Taxable Property to pay any Special Tax permanently satisfied as described herein. An owner of an Assessor's Parcel of Taxable Property intending to prepay the Special Tax Obligation shall provide the School District (or its designee) with written notice of intent to prepay and identify the company or agency that will be acting as the escrow agent, if any. The School District shall provide such property owner with a statement of the prepayment amount for such Taxable Property within thirty (30) days of the request and may charge a reasonable fee for providing this service. Within the School District's sole discretion, prepayment may be required to be made sixty (60) or more days prior to any redemption date for IA B of CFD No. 4 Special Tax Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) may be calculated as summarized below:

P = PVT + Premium + F, where

P = Prepayment Amount

PVT = Present Value of Special Taxes

F = Fees

“Present Value of Special Taxes (PVT)” shall mean the present value of (i) \$1,226.16 for an Assessor’s Parcel for which a Building Permit has been issued, or (ii) the Maximum Special Tax applicable to an Assessor’s Parcel for which a Building Permit has not been issued, in each year remaining until the year ending thirty (33) years after a property is first subject to the Annual Special Tax using the yield on the Special Tax Bonds as the discount rate if Special Tax Bonds have been issued and sold and using a discount rate of 6.5% if Special Tax Bonds have not been issued and sold.

“Premium” shall mean, if Special Tax Bonds have been issued, the bond call costs (not to exceed three percent (3%) of PVT) associated with the redemption of Special Tax Bonds. If no Special Tax Bonds have been issued, no premium shall be applied.

“Fees” shall mean the fees of IA B of CFD No. 4, the School District, the special tax consultant and any consultants retained by IA B of CFD No. 4 in connection with the prepayment calculation, and Bond redemption, if any.

The amount representing PVT shall be used to (i) redeem Special Tax Bonds if Special Tax Bonds have been issued or (ii) pay for School District facilities benefitting residents within IA B of CFD No. 4 if Special Tax Bonds have not been issued. The amount representing Premium, if any, shall be used to redeem Special Tax Bonds. The amount representing Fees shall be retained by IA B of CFD No. 4.

In addition, the owner of an Assessor’s Parcel for which the Special Taxes are being prepaid must pay current and any delinquent Special Taxes and penalties for such Assessor’s Parcel prior to prepayment.

B. Prepayment in Part

The Special Tax on an Assessor’s Parcel of Developed Property or Undeveloped Property for which a Building Permit has been issued may be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homeowner. The amount of the prepayment shall be calculated as in Section 7.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times PT + F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Present Value of Special Taxes calculated according to Section 7.A.
 PT = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.
 F = Fees

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the School District shall (i) distribute the funds remitted to it according to Section 7.A., and (ii) indicate in the records of IA B of CFD No. 4 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage $(1.00 - F)$ of the Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 5.

8. TERM OF SPECIAL TAX

The Special Taxes shall be levied and collected only so long as they are needed to pay the principal of and interest on debt incurred in order to acquire and/or construct the facilities of IA B of CFD No. 4, or so long as they are needed to pay the costs or expenses related to the construction of facilities authorized. However, in no event shall any Developed Property be subject to the Special Tax for more than thirty-three (33) years following the date such property is first subject to the payment of such Special Tax.

9. EXEMPTIONS

- A. Prior to the issuance of Special Tax Bonds, the CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels of Property Owner Association Property, or (iii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization (iv) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use, (v) Assessor's Parcels with public utility easement by the restriction, as determined reasonably by the CFD Administrator.
- B. After the issuance of Special Tax Bonds, the CFD Administrator shall classify Assessor's Parcels described in (i) through (v) of Section 9A as Exempt Property provided that such classification does not reduce the amount of Maximum Special Taxes expected to be levied on Residential Units as described in the official

statement associated with the issuance of such Special Tax Bonds. Assessor's Parcels which cannot be classified as Exempt Property pursuant to the prior sentence shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Tax accordingly. Tax exempt status for the purpose of this Section 9 will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

- C. If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of this Section 9 that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

10. APPEALS

Any landowner who pays the Special Tax and claims the amount of the Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may amend the amount of the Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with a representative of the School District or his/her designee appealing the amount of the Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the representative of the School District or designee may establish such procedures as deemed necessary to undertake the review of any such appeal. The representative or designee thereof shall interpret this Modified Rate and Method of Apportionment and make determinations relative to the administration of the Special Tax and any landowner appeals as herein specified. The decision of the representative or designee shall be final and binding as to all persons.

Exhibit A
Special Tax Area Map

[to come]

EXHIBIT A
SPECIAL TAX AREA MAP
COMMUNITY FACILITIES DISTRICT NO. 4
(COLLEGE PARK)
IMPROVEMENT AREA B

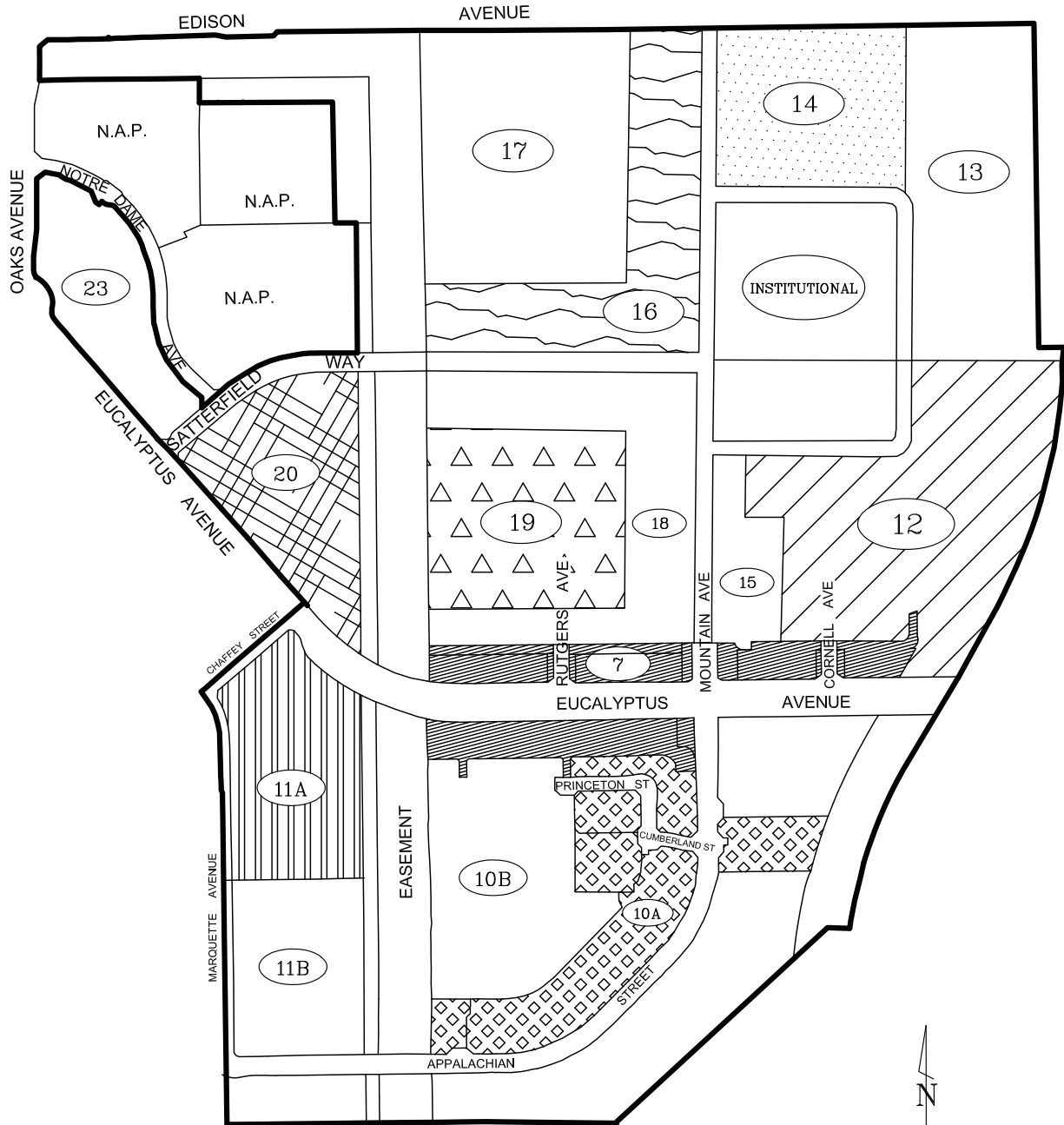


Table 1
Special Tax Areas and Projected Special Tax Revenues

Map Reference No.	Special Tax Area	Expected Residential Units	Projected Special Tax Revenues
7	Tr. 16838-2 Lots 6-10	64	\$78,474.30
10A	Tr. 16838-2 Lots 12-15	75	\$91,962.07
10B	Tr. 16838-2 Lot 11	93	\$114,032.96
11A	Tr. 16838-2 Lot 4	127	\$155,722.44
11B	Tr. 16838-2 Lot 5	101	\$123,842.25
12	Planning Area 12	63	\$77,248.14
13	Planning Area 13	34	\$41,689.47
14	Planning Area 14	39	\$47,820.28
15	Planning Area 15	19	\$23,297.06
16	Planning Area 16	67	\$82,152.78
17	Planning Area 17	93	\$114,032.96
18	Planning Area 18	77	\$94,414.39
19	Planning Area 19	66	\$80,926.62
20	Tr. 16838-2 Lot 3	158	\$193,733.72
23	Tr. 16838-2 Lot 1	24	\$29,427.86
	TOTALS	1,100	\$1,348,777.30