

**Before the Board of Directors for the
East Garrison Public Financing Authority
County of Monterey, State of California**

Resolution No: 06-146

Resolution of Formation of Community)
Facilities District - Community Facilities)
District No. 2006-1 (East Garrison Project).)

WHEREAS, reference is made to the Resolution of Intention and the Resolution Declaring Intention to Incur Bonded Indebtedness, each adopted by the Board of Directors of the East Garrison Public Financing Authority (this "Board") on May 16, 2006, for the preliminary scope of the authorized public improvements and financing contemplated by these proceedings; and

WHEREAS, on June 20, 2006, at the time set for the public hearing by the Resolution of Intention, the public hearing was conducted, and at the close of the public hearing, this Board determined that a majority protest under Section 53324 of the Government Code was not made at the hearing.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the East Garrison Public Financing Authority as follows:

1. This Board finds and determines that the foregoing recitals are true and correct.

2. There is hereby formed a community facilities district by the East Garrison Public Financing Authority (the "Authority") under the terms of the Mello-Roos Community Facilities Act of 1982, Chapter 2.5 of Division 2 of Title 5 of the California Government Code, commencing with Section 53311. The boundaries of the community facilities district are shown on the boundary map approved by the Resolution Approving Boundary Map, adopted by this Board on May 16, 2006. A copy of the recorded boundary map is on file with the Secretary of the Authority (the "Secretary").

3. The name of the community facilities district is "Community Facilities District No. 2006-1 (East Garrison Project), East Garrison Public Financing Authority, County of Monterey, State of California" ("CFD No. 2006-1").

4. The types of public facilities and services authorized to be financed by CFD No. 2006-1 are set forth on Exhibit A attached to this Resolution.

5. The types of incidental expenses authorized to be incurred are set forth on Exhibit B attached to this Resolution.

6. Except where funds are otherwise available, the Facilities Special Tax and the Services Special Tax, each calculated in accordance with the rate and method of apportionment of the special tax (the "Rate and Method of Apportionment", attached hereto as Exhibit C, shall be levied annually within CFD No. 2006-1. Upon recordation of a notice of special tax lien pursuant to Section 3114.5 of the California Streets and Highways Code, a continuing lien to secure each levy of the special tax shall attach to all nonexempt real property within CFD No. 2006-1, and this lien shall continue in force and effect until the special tax obligation is prepaid and permanently satisfied and the lien cancelled in accordance with law or until collection of the tax by the Authority ceases. As stated in Section E of the Rate and Method of Apportionment, the authority to levy the special tax for CFD No. 2006-1 will expire following Fiscal Year 2045-46.

7. Advances of funds or contributions of work in kind from any lawful source, specifically including owners of property within CFD No. 2006-1, may be reimbursed from bond proceeds or from special tax revenue or both to the extent of the lesser of the value or cost of the contribution, but any agreement to do so shall not constitute a debt or liability of the Authority.

8. The Auditor-Controller of the County of Monterey is hereby designated as the person responsible for preparing or causing the preparation annually a current roll of special tax levy obligations by assessor's parcel number, and for responding to inquiries regarding estimates of future special tax levies. The Auditor-Controller may contract with private consultants to provide this service.

9. Any bonds issued in these proceedings shall be callable in accordance with the provisions of the Act and as more specifically to be set forth in any resolution providing for the form, execution and issuance of bonds.

10. The special tax will be collected and enforced as a separate line item on the regular property tax bill. However, this Board reserves the right, under Section 53340, to utilize any method of collecting the special tax which it shall, from time to time, determine to be in the best interests of the Authority, including, but not limited to, direct billing by the Authority to the property owners and supplemental billing.

11. This Board hereby establishes the annual appropriations limit of CFD No. 2006-1 at \$5.0 million for the first fiscal year in which the special tax is levied.

12. Based upon the Certificate Re Registered Voters and Landowners on file with the Secretary and presented to this Board, the qualified electors for the election to be held in these proceedings shall be the landowners owning land within CFD No. 2006-1.

The election will be conducted as a mailed-ballot election, and this Board hereby designates the Secretary as the official to conduct the mailed-ballot election.

13. This Board now finds and determines that all proceedings up to and including the adoption of this Resolution were and are valid and in conformity with the requirements of the Mello-Roos Community Facilities Act. This determination and finding is final and conclusive in accordance with Government Code Section 53325.1(b).

14. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED on this 20th day of June 2006, by the following vote, to-wit:

AYES: Supervisors Calcagno, Lindley, and Smith

NOES: None

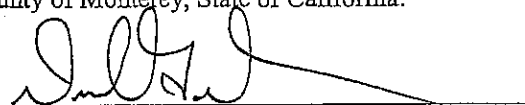
ABSENT: Supervisors Armenta and Potter

I, Lew C. Bauman, Secretary of the East Garrison Public Financing Authority, County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof Minute Book 73, on June 20, 2006.

Dated: June 29, 200

Lew C. Bauman, Clerk of the Board of Supervisors,
County of Monterey, State of California.

By



Darlene Drain, Deputy

EXHIBIT A

DESCRIPTION OF AUTHORIZED FACILITIES

A. Preliminary Note

The description of authorized facilities which follows in this Exhibit A is intended to serve as a general guide in determining the public capital facilities which are authorized to be wholly or partially financed with the proceeds of the special tax and the proceeds of sale of the special tax bonds of CFD No. 2006-1. Any public capital facilities of a similar nature to those described below, constructed by the Developer or the Developer's assigns with respect to the land development project known as "East Garrison Project" and for which plans and specifications have been approved by the appropriate local agency which will accept ownership of the subject public capital facilities upon completion and acquisition, shall be authorized facilities of CFD No. 2006-1, provided that they have an estimated useful life of five (5) years or greater.

All statements below in this Exhibit A pertaining to sizes, quantities and locations of capital facilities shall be regarded as current best estimates, subject to modification either during the review/approval process of the plans and specifications pertaining thereto or during actual construction thereof.

Nothing in this Exhibit A shall be construed as committing the Authority or CFD No. 2006-1 to provide for the acquisition or reimbursement of all of the authorized facilities, which acquisition or reimbursement shall remain subject to satisfaction of the terms and conditions of a separate agreement between the Authority and the Developer pertaining thereto and further subject to the limitations of financial feasibility and the availability of proceeds of special taxes or proceeds of sale of special tax bonds of CFD No. 2006-1.

B. Public Capital Facilities

1. Preliminary and Incidental Expense and Appurtenant Work and Improvements

Generally, for each of the following categories of public capital facilities to be acquired, constructed and installed on public property (including dedicated rights-of-way and public easements), the authorized facilities shall be deemed to include, to the extent applicable, the cost and expense of mobilization, clearing, grubbing, protective fencing and erosion control, excavation, dewatering, lime treatment, drainage ditches, rock outfalls, curb, gutter and sidewalks, base and finish paving, striping, traffic signage, traffic signals, streetlights, landscaping, irrigation, soundwalls, retaining walls, barricades, and related appurtenant work and facilities, together with the cost and expense of engineering design, environmental analysis, utility relocation, permits for work in jurisdictional waters, right-of-way acquisition, plan review, project management, construction-related surety bonds or like security instruments, construction staking and management, inspection, and any like fees and costs incidental to such acquisition, construction and installation.

2. Public Road Improvements
 - a. Reservation Road
 - b. Intersection (Reservation Road and Davis)
 - c. Inter-Garrison Connector
 - d. West Camp Street
 - e. Barloy Canyon Road
 - f. Watkins Gate Road
 - g. D-1 Connector

3. Sewer System Improvements
 - a. Sewer Force Main- Reservation Road
 - b. Sewer – Reservation Road
 - c. Sewer – Watkins Gate Road
 - d. East Garrison Pump Station Upgrade
 - e. Onsite Sewer Mains

4. Water System Improvements
 - a. West Camp Street
 - b. Watkins Gate Road
 - c. Inter-Garrison Road
 - d. Inter-Garrison Connector
 - e. Reservation Road
 - f. Onsite MCWD Water Mains
 - g. Onsite Recycled Mains

5. Public Spaces
 - a. Parks
 - b. Open Space

EXHIBIT B

INCIDENTAL EXPENSES AND BOND ISSUANCE COSTS

It is anticipated that the following incidental expenses may be incurred in the proposed financing:

- Engineering services
- Special tax consultant services
- Authority review and administration
- Bond counsel services/expenses
- Disclosure counsel services/expenses
- Financial Advisor services/expenses
- Appraiser services
- Initial bond Trustee, Fiscal Agent, Paying Agent, Registrar and Transfer Agent compensation
- Rebate calculation service set up charge
- Bond printing
- Offering memorandum printing and mailing costs
- Publishing, mailing and posting of notices
- Underwriter's discount
- Bond reserve fund
- Capitalized interest
- Bond syndication costs
- Governmental notification and filing costs
- Credit enhancement costs
- Real estate acquisition costs
- Rating agency fees
- Charges and fees of the Authority other than those waived

Certain annual or other unscheduled fees and costs may be included in each annual special tax levy. These include all items enumerated in the definition of the term "Administrative Expenses" in the Rate and Method of Apportionment of the Special Tax, together with the following:

- Annual bond transfer agent, Trustee, registrar and paying agent fees
- Annual rebate calculation costs
- Special tax consultant costs
- Other necessary consultant costs
- Costs of posting and collecting the special taxes
- Personnel and Administrative costs of the Authority
- Arbitrage rebate
- Continuing disclosure
- Foreclosure Counsel fees and costs
- Other fees and costs of a like nature incurred with respect to the administration of the special taxes and the bonds

EXHIBIT C

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

A Special Tax applicable to each Assessor's Parcel in CFD No. 2006-1 shall be levied and collected according to the tax liability determined by the Board, through the application of the appropriate amount or rate for Taxable Property, as described below. All of the property in CFD No. 2006-1, unless exempted by law or by the provisions of Section F below, shall be taxed for the purposes, to the extent, and in the manner herein provided, including property subsequently annexed to CFD No. 2006-1 unless a separate Rate and Method of Apportionment of Special Tax is adopted for the annexation area.

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 or other parcel map recorded with the County.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, (commencing with Section 53311), Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means any or all of the following: the fees and expenses of any fiscal agent or trustee (including any fees or expenses of its counsel) employed in connection with any Bonds, and the expenses of the Authority carrying out its duties with respect to CFD No. 2006-1, including, but not limited to, levying and collecting the Special Taxes, the fees and expenses of legal counsel, charges levied by the County Auditor-Controller's Office, and/or the Treasurer-Tax Collector's Office, costs related to annexing property into the CFD, costs related to property owner inquiries regarding the Special Taxes, amounts needed to pay rebate to the federal government with respect to the Bonds, costs associated with complying with any continuing disclosure requirements for the Bonds and the Special Taxes, and all other costs and expenses of the Authority in any way related to the establishment or administration of CFD No. 2006-1.

"Administrator" means the person or firm designated by the Authority to administer the Special Taxes according to this RMA.

"Affordable Rental Units" means, in any Fiscal Year, all Residential Units within CFD No. 2006-1 that (i) are rental units that cannot be sold to an individual owner, (ii) have a deed restriction recorded on title of the property that limits the amount that can be charged to rent the Residential Units, and (iii) have not in any prior Fiscal Year been taxed as For-Sale Residential Units.

“**Assessor’s Parcel**” or “**Parcel**” means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s Parcel number.

“**Assessor’s Parcel Map**” means an official map of the County Assessor designating parcels by Assessor’s Parcel number.

“**Auditor Controller**” means the Auditor-Controller of the County of Monterey, whose duties include levying, calculating, accounting for, apportioning, and reporting on the special taxes.

“**Authority**” means the East Garrison Public Financing Authority.

“**Authorized Facilities**” means those facilities that are authorized to be funded by CFD No. 2006-1.

“**Authorized Services**” means those services that are authorized to be funded by CFD No. 2006-1.

“**Board**” means the Governing Board of the East Garrison Public Financing Authority.

“**Bonds**” means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the Authority for CFD No. 2006-1 under the Act.

“**Capitalized Interest**” means funds in a capitalized interest account available to pay debt service on Bonds issued for CFD No. 2006-1.

“**CFD**” or “**CFD No. 2006-1**” means the East Garrison Public Financing Authority Community Facilities District No. 2006-1 (East Garrison Project).

“**County**” means the County of Monterey.

“**Developed Property**” means, in any Fiscal Year, all Parcels of Taxable Property for which a building permit for new construction was issued on or prior to June 30 of the preceding Fiscal Year.

“**East Garrison Vesting Tentative Map**” means the vesting tentative map for the East Garrison project that was approved by the County Board of Supervisors on October 4, 2005.

“**Excess Public Property**” means the acres of Public Property that exceed the acreage exempted in Section F below. In any Fiscal Year in which a Facilities Special Tax must be levied on Excess Public Property pursuant to Step 3 in Section D.1 below, Excess Public Property shall be those Assessor’s Parcel(s) that most recently became Public Property based on the dates on which final maps recorded creating such Public Property.

“**Facilities Special Tax**” means a special tax levied in any Fiscal Year to pay the Facilities Special Tax Requirement.

“Facilities Special Tax Requirement” means the amount necessary in any Fiscal Year (i) to pay principal and interest, including scheduled sinking fund payments, on Bonds, (ii) to pay Administrative Expenses that have not been included in the Services Special Tax Requirement for the Fiscal Year, (iii) to create or replenish reserve funds, (iv) to cure any delinquencies in the payment of principal or interest on indebtedness of CFD No. 2006-1 which have occurred in the prior Fiscal Year or (based on delinquencies in the payment of the Facilities Special Taxes which have already taken place) are expected to occur in the Fiscal Year in which the tax will be collected, and (v) to construct or acquire Authorized Facilities. The amounts referred to in clauses (i) and (iii) of the preceding sentence may be reduced in any Fiscal Year by: (i) interest earnings on or surplus balances in funds and accounts for the Bonds to the extent that such earnings or balances are available to apply against debt service pursuant to a Bond indenture, Bond resolution, or other legal document that sets forth these terms; (ii) proceeds received by CFD No. 2006-1 from the collection of penalties associated with delinquent Facilities Special Taxes; and (iii) any other revenues available to pay debt service on the Bonds as determined by the Administrator.

“For-Sale Residential Units” means all Residential Units constructed or to be constructed on Parcels within CFD No. 2006-1 for which building permit were issued for construction of one or more Residential Units, each of which will be assigned a separate Assessor’s Parcel number and will be offered for sale to an individual homebuyer. Notwithstanding the foregoing, if a second unit (i.e., granny flat) is constructed on a Parcel, only the primary Residential Unit on the Parcel shall be categorized as a For-Sale Residential Unit for purposes of levying the Special Tax pursuant to this RMA.

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

“Living Area” means the square footage of living area within a Residential Unit as set forth on the original building permit issued for construction of the Residential Unit, plus any square footage added as part of an expansion or renovation of the Residential Unit, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area.

“Maximum Facilities Special Tax” means the greatest amount of Facilities Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C and D below.

“Maximum Services Special Tax” means the greatest amount of Services Special Tax that can be levied on an Assessor’s Parcel in any Fiscal Year determined in accordance with Sections C and D below.

“Other Property” means, in any Fiscal Year, all Parcels of Developed Property that had been designated for construction of For-Sale Residential Units in the East Garrison Vesting Tentative Map that are subsequently developed or redeveloped for a use other than residential units.

“Proportionately” means, for Developed Property, that the ratio of the actual Special Tax levied in any Fiscal Year to the Maximum Special Tax authorized to be levied in that Fiscal Year is

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

"Public Property" means any property within the boundaries of CFD No. 2006-1 that is acquired by the federal government, State of California or other local governments or public agencies.

"Residential Unit" means an individual single-family detached unit, half-plex, duplex, triplex, fourplex, townhome, condominium, or live/work unit.

"RMA" means this Rate and Method of Apportionment of Special Tax.

"Services Special Tax" means a special tax levied in any Fiscal Year to pay the Services Special Tax Requirement.

"Services Special Tax Requirement" means that amount necessary in any Fiscal Year to (i) pay for Authorized Services, (ii) pay Administrative Expenses that have not been included in the Facilities Special Tax Requirement for the Fiscal Year, and (iii) cure any delinquencies in the payment of Services Special Taxes levied in prior Fiscal Years or (based on delinquencies in the payment of Services Special Taxes which have already taken place) are expected to occur in the current Fiscal Year.

"Single Family Attached Property" means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a two or more For-Sale Residential Units that share common walls.

"Single Family Detached Property" means, in any Fiscal Year, all Parcels of Developed Property for which a building permit was issued for construction of a For-Sale Residential Unit that does not share a common wall with another Residential Unit.

"Special Tax" means, collectively, the Facilities Special Tax and the Services Special Tax.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2006-1 which are not exempt from the Special Tax pursuant to law or Section F below.

"Taxable Rental Units" means, in any Fiscal Year, all Residential Units within CFD No. 2006-1 that (i) had been taxed in any prior Fiscal Year as For-Sale Residential Units, (ii) had been designated for construction of For-Sale Residential Units in the East Garrison Vesting Tentative Map, or (iii) are available for rent, but not for sale, to the general public but do not have a deed restriction that limits the amount of rent that can be charged.

"Treasurer-Tax Collector" means the Treasurer-Tax Collector of the County of Monterey, whose duties include collection, enforcement, and reporting on the special taxes.

“Undeveloped Property” means, in any Fiscal Year, all Parcels of Taxable Property within CFD No. 2006-1 that are not Developed Property.

B. DATA FOR ANNUAL ADMINISTRATION OF SPECIAL TAXES

On or about July 1 of each Fiscal Year, the Administrator shall identify the current Assessor’s Parcel numbers for Taxable Property within CFD No. 2006-1. The Administrator shall then (i) categorize each Parcel of Taxable Property as Developed Property or Undeveloped Property, (ii) categorize Developed Property as Single Family Attached Property, Single Family Detached Property, or Other Property, (iii) determine the Living Area within each For-Sale Residential Unit, and (iv) determine the Special Tax Requirement. For Single Family Attached Property, the number of Residential Units shall be determined by referencing the condominium plan, site plan or other development plan for the property.

In any Fiscal Year, if it is determined that (i) a parcel map for a portion of property in CFD No. 2006-1 was recorded after January 1 of the prior Fiscal Year (or any other date after which the Assessor will not incorporate the newly-created Parcels into the then current tax roll), (ii) because of the date the parcel map was recorded, the Assessor does not yet recognize the new Parcels created by the parcel map, and (iii) one or more of the newly-created Parcels meets the definition of Developed Property, the Administrator shall calculate the Special Tax for the property affected by recordation of the parcel map by determining the Special Tax that applies separately to each newly-created Parcel, then applying the sum of the individual Special Taxes to the master Assessor’s Parcel that was subdivided by recordation of the Parcel Map.

C. MAXIMUM SPECIAL TAXES

1. *Facilities Special Tax*

The following Facilities Special Tax rates shall apply to all Parcels of Developed Property within CFD No. 2006-1:

TABLE 1		
DEVELOPED PROPERTY MAXIMUM FACILITIES SPECIAL TAX FISCAL YEAR 2007-08 *		
Product Type	Square Feet of Living Area	Facilities Special Tax Fiscal Year 2006-07 *
Single Family Attached Property	< 800 square feet	\$790 per Residential Unit
Single Family Attached Property	800-1,000 square feet	\$916 per Residential Unit
Single Family Attached Property	1,001-1,450 square feet	\$969 per Residential Unit
Single Family Attached Property	1,451-1,650 square feet	\$1,185 per Residential Unit
Single Family Attached Property	1,651-1,800 square feet	\$1,310 per Residential Unit
Single Family Attached Property	1,801-1,975 square feet	\$1,418 per Residential Unit
Single Family Attached Property	1,976-2,150 square feet	\$1,490 per Residential Unit
Single Family Attached Property	> 2,150 square feet	\$1,580 per Residential Unit
Single Family Detached Property	< 1,400 square feet	\$1,257 per Residential Unit
Single Family Detached Property	1,400-1,550 square feet	\$1,364 per Residential Unit
Single Family Detached Property	1,551-1,700 square feet	\$1,454 per Residential Unit
Single Family Detached Property	1,701-1,850 square feet	\$1,580 per Residential Unit
Single Family Detached Property	1,851-2,000 square feet	\$1,705 per Residential Unit
Single Family Detached Property	2,001-2,150 square feet	\$1,795 per Residential Unit
Single Family Detached Property	2,151-2,300 square feet	\$1,939 per Residential Unit
Single Family Detached Property	2,301-2,450 square feet	\$1,993 per Residential Unit
Single Family Detached Property	2,451-2,600 square feet	\$2,064 per Residential Unit
Single Family Detached Property	2,601-2,750 square feet	\$2,190 per Residential Unit
Single Family Detached Property	2,751-2,900 square feet	\$2,280 per Residential Unit
Single Family Detached Property	> 2,900 square feet	\$2,370 per Residential Unit
Other Property	N/A	\$22,450 per Acre
<p><i>* On July 1, 2008 and on each July 1 thereafter, all figures shown in Table 1 above shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year</i></p>		

2. *Services Special Tax*

The following Services Special Tax rates shall apply to all Parcels of Developed Property within CFD No. 2006-1:

TABLE 2		
DEVELOPED PROPERTY MAXIMUM SERVICES SPECIAL TAX FISCAL YEAR 2007-08 *		
Product Type	Square Feet of Living Area	Services Special Tax Fiscal Year 2006-07 *
Single Family Attached Property	< 800 square feet	\$586 per Residential Unit
Single Family Attached Property	800-1,000 square feet	\$679 per Residential Unit
Single Family Attached Property	1,001-1,450 square feet	\$719 per Residential Unit
Single Family Attached Property	1,451-1,650 square feet	\$878 per Residential Unit
Single Family Attached Property	1,651-1,800 square feet	\$972 per Residential Unit
Single Family Attached Property	1,801-1,975 square feet	\$1,052 per Residential Unit
Single Family Attached Property	1,976-2,150 square feet	\$1,105 per Residential Unit
Single Family Attached Property	> 2,150 square feet	\$1,171 per Residential Unit
Single Family Detached Property	< 1,400 square feet	\$932 per Residential Unit
Single Family Detached Property	1,400-1,550 square feet	\$1,012 per Residential Unit
Single Family Detached Property	1,551-1,700 square feet	\$1,078 per Residential Unit
Single Family Detached Property	1,701-1,850 square feet	\$1,171 per Residential Unit
Single Family Detached Property	1,851-2,000 square feet	\$1,264 per Residential Unit
Single Family Detached Property	2,001-2,150 square feet	\$1,331 per Residential Unit
Single Family Detached Property	2,151-2,300 square feet	\$1,438 per Residential Unit
Single Family Detached Property	2,301-2,450 square feet	\$1,477 per Residential Unit
Single Family Detached Property	2,451-2,600 square feet	\$1,531 per Residential Unit
Single Family Detached Property	2,601-2,750 square feet	\$1,624 per Residential Unit
Single Family Detached Property	2,751-2,900 square feet	\$1,690 per Residential Unit
Single Family Detached Property	> 2,900 square feet	\$1,757 per Residential Unit
Other Property	N/A	**

* On July 1, 2008 and on each July 1 thereafter, all figures shown in Table 2 above shall be increased by the lesser of (i) the increase, if any, in the Local Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose Area for All Urban Consumers, or (ii) four percent (4%). The CPI used shall be as determined by the Bureau of Labor Statistics from April to April beginning with the period from April 2006 to April 2007.

** The Maximum Services Special Tax on a Parcel of Other Property shall be the amount needed per acre to equal the Maximum Services Special Tax that applied to the Parcel prior to the Parcel becoming Other Property.

3. *Undeveloped Property*

The Maximum Facilities Special Tax for Fiscal Year 2007-08 for Parcels of Undeveloped Property is \$22,450 per Acre. On July 1, 2008 and on each July 1 thereafter, the Maximum Facilities Special Tax shall be increased by an amount equal to 2.0% of the amount in effect for the prior Fiscal Year. No Services Special Tax will be levied on Undeveloped Property.

D. METHOD OF LEVY OF THE SPECIAL TAX

1. *Facilities Special Tax*

Each Fiscal Year, the Administrator shall determine the Facilities Special Tax Requirement and shall levy the Facilities Special Tax as follows:

Step 1: The Facilities Special Tax shall be levied Proportionately on each Parcel of Developed Property up to 100% of the Maximum Facilities Special Tax for such Fiscal Year determined pursuant to Section C.1 until the amount levied on Developed Property is equal to the Facilities Special Tax Requirement prior to applying any Capitalized Interest that is available in the CFD accounts;

Step 2: If additional revenue is needed to satisfy the Facilities Special Tax Requirement after Step 1 and after applying Capitalized Interest to reduce the Facilities Special Tax Requirement, the Special Tax shall be levied Proportionately on each Parcel of Undeveloped Property up to 100% of the Maximum Facilities Special Tax for Undeveloped Property determined pursuant to Section C.3;

Step 3: If additional revenue is needed to satisfy the Special Tax Requirement after applying the first two steps, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Excess Public Property, up to 100% of the Maximum Facilities Special Tax for Undeveloped Property for such Fiscal Year.

2. *Services Special Tax*

Each Fiscal Year, the Administrator shall determine the Services Special Tax Requirement and shall levy the Services Special Tax Proportionately on each Parcel of Developed Property up to 100% of the Maximum Services Special Tax for such Fiscal Year determined pursuant to Section C.2 until the amount levied on Developed Property is equal to the Services Special Tax Requirement for that Fiscal Year. No Services Special Tax shall be levied on Undeveloped Property or Excess Public Property.

E. MANNER OF COLLECTION OF THE SPECIAL TAX

The Special Taxes for CFD No. 2006-1 shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that prepayments are permitted

as set forth in Section G below and provided further that the Authority may directly bill the Special Taxes, may collect Special Taxes at a different time or in a different manner, and may collect delinquent Special Taxes through foreclosure or other available methods.

The Facilities Special Tax shall be levied and collected until principal and interest on Bonds have been repaid and Authorized Facilities have been completed. However, in no event shall Special Taxes be levied after Fiscal Year 2045-46. Under no circumstances may the Facilities Special Tax on one Parcel be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Facilities Special Tax levied on another Parcel or Parcels. The Services Special Tax will continue to be levied and collected unless and until the Authority determines that the Services Special Tax no longer needs to be levied to pay for Authorized Services.

F. EXEMPTIONS

Notwithstanding any other provision of this Rate and Method of Apportionment of Special Tax, no Special Tax shall be levied on up to 110.72 acres of Public Property within CFD No. 2006-1. A Facilities Special Tax may be levied on Excess Public Property pursuant to Step 3 of Section D.1; however, a public agency may require that the Facilities Special Tax obligation on land conveyed to it that would be classified as Excess Public Property be prepaid pursuant to Section G below. No Facilities Special Tax shall be levied in any Fiscal Year on Parcels that have fully prepaid the Facilities Special Tax obligation pursuant to the formula set forth in Section G.

No Special Tax shall be levied in any Fiscal Year on Parcels for which a building permit was issued for construction or reconstruction of a building unless the structure includes For-Sale Residential Units, Taxable Rental Units, or Other Property. In addition, no Special Tax shall be levied on property for which a building permit has not yet been issued if it is determined, by reference to the East Garrison Vesting Tentative Map, that the entire Parcel is expected to be developed for a use other than For-Sale Residential Units. If even a portion of the Parcel is expected to be developed as For-Sale Residential Units, the entire Parcel shall be taxed as Undeveloped Property.

G. PREPAYMENT OF SPECIAL TAX

The following definitions apply to this Section G:

“**Construction Fund**” means an account specifically identified in the Indenture to hold funds which are available to acquire or construct Authorized Facilities.

“**Future Facilities Cost**” means the Public Facilities Requirement (as defined below) minus public facility costs funded by Previously Issued Bonds (as defined below), interest earnings on the construction fund actually earned prior to the date of prepayment, Special Taxes, developer equity, and/or any other source of funding.

“Indenture” means the bond indenture, fiscal agent agreement, trust 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.

“Outstanding Bonds” means all Previously Issued Bonds which remain outstanding, with the following exception: if a Special Tax has been levied against, or already paid by, an Assessor’s Parcel making a prepayment, and a portion of the Special Tax will be used to pay a portion of the next principal payment on the Bonds that remain outstanding, that next principal payment shall be subtracted from the total Bond principal that remains outstanding, and the difference shall be used as the amount of **“Outstanding Bonds”** for purposes of the prepayment formula.

“Previously Issued Bonds” means all Bonds that have been issued for CFD No. 2006-1 prior to the date of prepayment.

“Public Facilities Requirement” means \$20,000,000.

1. Full Prepayment of Facilities Special Tax Obligation

The Facilities Special Tax obligation applicable to an Assessor’s Parcel in CFD No. 2006-1 may be prepaid and the obligation of the Assessor’s Parcel to pay the Facilities Special Tax permanently satisfied as described herein, provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. The Services Special Tax obligation may not be prepaid.

An owner of an Assessor’s Parcel intending to prepay the Facilities Special Tax obligation shall provide the Authority with written notice of intent to prepay. Within 30 days of receipt of such written notice, the Authority shall notify such owner of the prepayment amount for such Assessor’s Parcel. Prepayment must be made not less than 75 days prior to any interest payment date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

The Prepayment Amount shall be calculated as follows (capitalized terms as defined below):

Bond Redemption Amount	
plus:	Future Facilities Amount
plus:	Redemption Premium
plus:	Defeasance Requirement
plus:	Administrative Fees and Expenses
<u>minus:</u>	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount shall be determined by application of the following steps:

- Step 1.* Determine the greater of (i) the total Maximum Facilities Special Tax that could be collected from the Assessor’s Parcel prepaying the Facilities Special Tax in the Fiscal Year in which prepayment would be received by the Authority, or (ii) the

Maximum Facilities Special Tax that could be collected from the Parcel at buildout based on anticipated land uses at the time the prepayment is calculated.

- Step 2.* Divide the Maximum Facilities Special Tax computed pursuant to Step 1 for such Assessor's Parcel by the lesser of (i) the Maximum Facilities Special Tax revenues that could be collected in that Fiscal Year from property in CFD No. 2006-1, or (ii) the Maximum Facilities Special Tax revenues that could be generated at buildout of property in CFD No. 2006-1 based on anticipated land uses at the time the prepayment is calculated.
- Step 3.* Multiply the quotient computed pursuant to Step 2 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "*Bond Redemption Amount*").
- Step 4.* Compute the current Future Facilities Costs.
- Step 5.* Multiply the quotient computed pursuant to Step 2 by the amount determined pursuant to Step 4 to compute the amount of Future Facilities Costs to be prepaid (the "*Future Facilities Amount*").
- Step 6.* Multiply the Bond Redemption Amount computed pursuant to Step 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "*Redemption Premium*").
- Step 7.* Compute the amount needed to pay interest on the Bond Redemption Amount starting with the first Bond interest payment date after which the prepayment has been received until the earliest redemption date for the Outstanding Bonds
- Step 8.* Compute the amount of interest the Authority reasonably expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium from the first Bond interest payment date after which the prepayment has been received until the redemption date for the Outstanding Bonds.
- Step 9.* Take the amount computed pursuant to Step 7 and subtract the amount computed pursuant to Step 8 (the "*Defeasance Requirement*").
- Step 10.* Determine the costs of computing the prepayment amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "*Administrative Fees and Expenses*").
- Step 11.* If and to the extent so provided in the indenture pursuant to which the Outstanding Bonds to be redeemed were issued, a reserve fund credit shall be calculated as a reduction, if any, in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the "*Reserve Fund Credit*").

Step 12. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to Steps 3, 5, 6, 9, and 10, less the amount computed pursuant to Step 11 (the "*Prepayment Amount*").

Step 13. The amounts computed pursuant to Steps 3, 6, and 9, less the amount computed pursuant to Step 11, shall be deposited in the appropriate fund established under the Indenture and used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to Step 5 shall be deposited in the Construction Fund, and the amount determined in Step 10 shall be deposited in the fund established to pay Administrative Expenses.

With respect to any Parcel that prepays its Facilities Special Tax obligation, the Administrator shall cause a notice to be recorded in compliance with the Act to release the Facilities Special Tax lien on such Parcel, and the obligation of such Parcel to pay the Facilities Special Tax shall cease.

2. *Partial Prepayment of Facilities Special Tax Obligation*

A property owner requesting to make a partial prepayment of the Facilities Special Tax shall provide the Authority with written notice of his/her intent to partially prepay the Facilities Special Tax obligation and shall identify the percentage of such obligation that is intended to be prepaid. Within 30 days of receipt of such written notice, the Authority shall notify such owner of the partial prepayment amount, which must be received not less than 75 days prior to any interest payment date for Bonds to be redeemed with the proceeds of such prepaid Facilities Special Taxes.

To calculate the partial prepayment amount, the Administrator shall apply Steps 3 through 13 from Section G.1 above, using the percentage of the Special Tax obligation that is intended to be prepaid as the quotient for purposes of Step 3 and Step 5. Once the partial prepayment amount has been received by the Authority, the Maximum Facilities Special Tax that applied to the Parcel pursuant to Section C.1 shall be reduced by the same percentage by which the Facilities Special Tax obligation was reduced.

H. INTERPRETATION OF SPECIAL TAX FORMULA

The Authority reserves the right to make minor administrative and technical changes to this document that do not materially affect the rate and method of apportioning Special Taxes. In addition, the interpretation and application of any section of this document shall be left to the Authority's discretion. Interpretations may be made by the Authority by ordinance or resolution