

**SPECIAL TAX AND
BOND ACCOUNTABILITY REPORT
FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT No. 6
OF THE
POWAY UNIFIED SCHOOL DISTRICT**

December 31, 2005

**SPECIAL TAX AND BOND
ACCOUNTABILITY REPORT
FOR
IMPROVEMENT AREA A OF
COMMUNITY FACILITIES DISTRICT No. 6**

Prepared for:

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December 31, 2005

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EXHIBITS

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I. INTRODUCTION

The Board of Education ("Board") of the Poway Unified School District ("School District"), pursuant to the provisions of the Local Agency Special Tax and Bond Accountability Act ("Accountability Act"), has directed the filing of the Special Tax and Bond Accountability Report ("Accountability Report") for Improvement Area ("IA") A of Community Facilities District ("CFD") No. 6. According to Senate Bill ("SB") 165, any local special tax and/or bond measure subject to voter approval on or after January 1, 2001, must follow the requirements of the Accountability Act. As directed by SB 165, the Accountability Report shall contain a description of (i) the Special Tax funds collected and expended from Bond inception through September 30, 2005, (ii) the initial allocation of Bond proceeds, and (iii) the expenditure of Bond proceeds to fund authorized facilities of IA A of CFD No. 6 through September 30, 2005. All capitalized terms not otherwise defined herein shall have the meanings as defined in the First Amended Rate and Method of Apportionment ("RMA") of IA A of CFD No. 6 (included herein as Exhibit A).

II. COLLECTION AND EXPENDITURES OF SPECIAL TAXES

Each Fiscal Year, IA A of CFD No. 6 will levy, collect, and expend Annual Special Taxes in an amount necessary to pay interest and principal to bondholders, cover Administrative Expenses, and fund school facilities necessary to serve Units constructed within the boundaries of IA A of CFD No. 6.

Table 1 below presents a detailed listing of the Annual special Taxes collected and expended by CFD No. 6 from Bond inception through September 30, 2005.

TABLE 1

SPECIAL TAX FUND OF IA A OF CFD NO. 6

Balance (date of initial deposit)		\$0.00
Previously Accrued	\$1,127,651.09	
Previously Expended	(\$1,097,689.23)	
Balance as of September 30, 2004		\$29,961.86
Accruals		\$1,166,255.52
Special Tax Receipts	\$1,157,792.63	
Interest Earnings	\$8,462.89	
Expenditures		(\$1,103,071.26)
Transfer to Administrative Expense Fund	(\$25,000.00)	
Transfer to Bond Fund	(\$1,078,071.26)	
Balance as of September 30, 2005		\$93,146.12

III. USE OF BOND PROCEEDS

This section outlines (i) the initial allocation of the Bond proceeds and (ii) the expenditure of Bond proceeds to fund authorized facilities of IA A of CFD No. 6.

A. Allocation of Bond Proceeds

In accordance with the Bond Indenture by and between the School District and State Street Bank and Trust of California, N.A. dated December 1, 2002, the proceeds of the Bonds were deposited into the funds, accounts, and subaccount as shown in Table 2.

TABLE 2

INITIAL DEPOSIT OF BONDS PROCEEDS

Funds and Accounts	Initial Deposit
Special Tax Fund	\$0.00
Bond Service Fund	\$0.00
Interest Account of the Bond Service Fund ¹	\$754,649.88
Principal Account of the Bond Service Fund	\$0.00
Rebate Fund	\$0.00
Redemption Fund	\$0.00
Reserve Fund	\$1,776,135.08
Administrative Expense Fund	\$25,000.00
Additional School Facilities Account of the Improvement Fund	\$3,500,000.00
Infrastructure Improvement Account of the Improvement Fund	\$11,399,152.06
Costs of Issuance Fund ²	\$545,062.98
Total Bond Proceeds	\$18,000,000.00
¹ Bond proceeds deposited into Interest Account to cover Capitalized Interest through September 2004. ² This amount includes the Underwriter's Discount of \$270,000.00. The actual amount deposited in the Costs of Issuance Account was \$275,062.98.	

B. Use of Construction Funds

The Supplement to the 4S Ranch School Impact Mitigation Agreement (the "Supplement") dated June 17, 2002, by and between the School District and 4S Kelwood General Partnership ("4S Kelwood") outlined the school facilities and non-school facilities to be funded by IA A of CFD No. 6. School facilities include elementary school, middle school, high school, administrative, and additional school facilities (as further described in the CFD Report for IA A of CFD No. 6). Specifically, additional school facilities include a swimming pool and related improvements at Rancho Bernardo High School.

Non-school facilities include (i) water and sewer facilities to be owned by the Olivenhain Municipal Water District ("OMWD"), (ii) road, park, and library improvements to be owned by the County of San Diego ("County") (iii) road improvement to be owned by the City of San Diego ("City") and (iv) one (1) fire station to be owned by the Rancho Santa Fe Fire Protection District ("Fire District"). In order to finance the non-school facilities the School District entered into Joint Community Facilities Agreements ("JCFAs") with (i) OMWD, (ii) the County, (iii) the City and (iv) the Fire District. Table 3 shows the amount of accruals and expenditures in the Additional School Facilities Account of IA A of CFD No. 6 from Bond inception through September 30, 2005.

TABLE 3

ADDITIONAL SCHOOL FACILITIES ACCOUNT

Initial Deposit from Bond Proceeds		\$3,500,000.00
Previously Accrued	\$30,344.28	
Previously Expended	(\$3,419,330.14)	
Balance as of September 30, 2004		\$111,014.14
Accruals		\$2,195.23
Interest Earnings	\$2,195.23	
Expenditures		(\$12,658.00)
Elementary Schools	\$0.00	
Middle Schools	\$0.00	
High Schools	(\$12,658.00)	
Administrative Facilities	\$0.00	
Balance as of September 30, 2005		\$100,551.37

Table 4 shows the amount of accruals and expenditures in the Infrastructure Improvement Account of IA A of CFD No. 6 from Bond inception through September 30, 2005.

TABLE 4

INFRASTRUCTURE IMPROVEMENT ACCOUNT

<i>Initial Deposit from Bond Proceeds</i>		<i>\$11,399,152.06</i>
Previously Accrued	\$49,389.12	
Previously Expended	(\$11,394,309.61)	
<i>Balance as of September 30, 2004</i>		<i>\$53,931.57</i>
Accruals		\$21,989.57
Interest Earnings	\$1,442.43	
Transfer from Reserve Fund	\$1,667.88	
Transfer from Cost of Issuance Fund	\$18,878.94	
Expenditures		\$0.00
<i>Balance as of September 30, 2005</i>		<i>\$75,920.82</i>

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EXHIBIT A

**FIRST AMENDED
RATE AND METHOD OF APPORTIONMENT**

**FIRST AMENDED
RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 6
OF THE POWAY UNIFIED SCHOOL DISTRICT
(IMPROVEMENT AREA A)**

An Annual Special Tax shall be levied on and collected in Improvement Area ("IA") A of Community Facilities District ("CFD") No. 6 of the Poway Unified School District ("School District") each Fiscal Year in an amount determined through the application of the rate and method of apportionment described below. All of the real property in IA A of CFD No. 6, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

**SECTION A
DEFINITIONS**

The terms hereinafter set forth have the following meanings:

"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 Subdivision Map, other final map, parcel map, condominium plan, or other recorded County parcel map.

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

"Administrative Expenses" means any ordinary and necessary expenses of the School District to carry out its duties as the legislative body of IA A of CFD No. 6.

"Annual Special Tax" means the Special Tax levied each Fiscal Year on an Assessor's Parcel as set forth in Section F. Prior to the issuance of Bonds, Annual Special Tax revenues shall be used entirely to fund Non-School Facilities. Each Fiscal Year after Bonds have been issued, the Annual Special Tax revenues shall be used in the following order of priority (i) to satisfy the Annual Special Tax Requirement and (ii) to fund School Facilities.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the annual debt service on all outstanding Bonds, (ii) the Administrative Expenses of IA A of CFD No. 6, (iii) any costs associated with the release of funds from an escrow account, (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amounts on deposit in any fund or account which are available to pay for items (i) through (iv) above pursuant to any applicable fiscal agent agreement, bond indenture, or trust agreement.

"Assessor's Parcel" means a Lot or parcel of land in IA A of CFD No. 6 which is designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County Assessor for purposes of identification.

"Assigned Annual Special Tax" means the Special Tax of that name as set forth in Section D.

"Associate Superintendent" means the Associate Superintendent of Business Support Services of the School District or his/her designee.

"Attached Unit" means a Unit that consists or shall consist of a building or buildings in which each of the individual Units has at least one common wall with another Unit.

"Backup Annual Special Tax" means the Special Tax of that name described in Section E below.

"Board" means the Board of Education of the School District or its designee.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, 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, to the repayment of which Special Taxes of IA A of CFD No. 6 are pledged.

"Building Square Footage" or **"BSF"** means the square footage of internal living space of a Unit, exclusive of garages or other structures not used as living space, as determined by reference to the building permit application for such Unit or other applicable records of the County.

"Calendar Year" means any period beginning January 1 and ending December 31.

"County" means the County of San Diego.

"Detached Unit" means a Unit which is not an Attached Unit.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a building permit was issued on or before May 1 of the prior Fiscal Year, provided that such Assessor's Parcels are associated with a Final Subdivision Map created on or before January 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

"Exempt Property" means the property designated as Exempt Property in Section J.

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

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

"Gross Prepayment Amount" means any amount determined by reference to Table 2 and adjusted as set forth in Section G.

"Lot" means an individual legal lot created by a Final Subdivision Map for which a building permit for a Unit has been or could be issued, provided that land for which one or more building permits have been or could be issued for the construction of one or more model Units shall not be construed as a Lot until such land has been subdivided by a Final Subdivision Map.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, which can be levied by IA A of CFD No. 6 on any Assessor's Parcel in any Fiscal Year.

"Non-School Facilities" means any infrastructure necessary to develop the Project owned or to be owned by a public agency other than the School District.

"Prepayment Amount" means the dollar amount required to prepay all of the Annual Special Tax obligation on any Assessor's Parcel, determined pursuant to Sections G.

"Project " means 4S Ranch.

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

"School Facilities" means any public facilities owned or to be owned by the School District.

"Special Tax" means any of the special taxes authorized to be levied in IA A of CFD No. 6 under the Act.

"Taxable Property" means all Assessor's Parcels which are not Exempt Property.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property which are not classified as Developed Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units. Each Unit shall be classified an Attached Unit or a Detached Unit.

SECTION B ASSIGNMENT OF ASSESSOR'S PARCELS

For each Fiscal Year, beginning with Fiscal Year 2002-03, (i) each Assessor's Parcel shall be classified as Taxable Property or Exempt Property; (ii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property; (iii) each Assessor's Parcel of Developed Property shall be classified as a Detached Unit or an Attached Unit and (iv) each Detached Unit and Attached Unit shall be classified according to its Building Square Footage.

**SECTION C
MAXIMUM SPECIAL TAX**

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the greater of (i) the Assigned Annual Special Tax or (ii) the Backup Annual Special Tax.

2. Undeveloped Property

The Maximum Special Tax for any Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the Assigned Annual Special Tax.

**SECTION D
ASSIGNED ANNUAL SPECIAL TAXES**

1. Developed Property

The Assigned Annual Special Tax for each Assessor's Parcel of Developed Property in Fiscal Year 2002-03 shall be the amount determined by reference to Table 1 below.

TABLE 1

<i>ASSIGNED ANNUAL SPECIAL TAX FOR DEVELOPED PROPERTY FISCAL YEAR 2002-03</i>		
Unit Type	Building Square Footage	Assigned Annual Special Tax
Detached Unit	≤ 2,100	\$524.75 per Unit
Detached Unit	2,101 - 2,400	\$1,014.96 per Unit
Detached Unit	2,401 - 2,700	\$1,148.66 per Unit
Detached Unit	2,701 - 3,000	\$1,416.05 per Unit
Detached Unit	3,001 - 3,300	\$1,638.87 per Unit
Detached Unit	3,301 - 3,600	\$2,084.52 per Unit
Detached Unit	3,601 - 3,900	\$2,351.91 per Unit
Detached Unit	> 3,900	\$2,530.17 per Unit
Attached Unit	< 1,000	\$195.84 per Unit
Attached Unit	> 1,000	\$524.75 per Unit

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

2. Undeveloped Property

The Assigned Annual Special Tax for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2002-03 shall be \$9,822.00 per acre of Acreage.

Each July 1, commencing July 1, 2003, the Assigned Annual Special Tax applicable to an Assessor's Parcel of Undeveloped Property shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

**SECTION E
BACKUP ANNUAL SPECIAL TAX**

Each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. The Backup Annual Special Tax for Developed Property shall be the rate per Lot calculated according to the following formula:

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

The terms above have the following meanings:

- | | | |
|---|---|--|
| B | = | Backup Annual Special Tax per Lot for the applicable Fiscal Year |
| Z | = | Assigned Annual Special Tax per Acre of Undeveloped Property for the applicable Fiscal Year |
| A | = | Acreage of Developed Property expected to exist in the applicable Final Subdivision Map at buildout, as determined by the Associate Superintendent pursuant to Section J |
| L | = | Lots in the Final Subdivision Map |

Notwithstanding the foregoing, if all or any portion of the Final Subdivision Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Subdivision Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual Special Taxes anticipated to apply to the changed or modified Final Subdivision Map area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Subdivision Map area, as reasonably determined by the Board.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in such changed or modified Final Subdivision Map area for all remaining Fiscal Years in which the Special Tax may be levied.

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2002-03, and for each subsequent Fiscal Year, the Associate Superintendent shall determine the Annual Special Tax to be collected in IA A of CFD No. 6 in such Fiscal Year. The Annual Special Tax shall be levied as follows:

First: The Annual Special Tax shall be levied on each Assessor's Parcel of Developed Property at the Assigned Annual Special Tax applicable to such Assessor's Parcel.

Second: If the sum of the amounts levied on Assessor's Parcels in the first step above is less than the Annual Special Tax Requirement, then the Annual Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to such Assessor's Parcel to satisfy the Annual Special Tax Requirement.

Third: If the sum of the amounts levied on Assessor's Parcels in the first and second steps above is less than the Annual Special Tax Requirement, then the Annual Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Annual Special Tax shall be increased Proportionately from the Assigned Annual Special Tax up to the Backup Annual Special Tax to satisfy the Annual Special Tax Requirement.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAX

The property owner of any Final Subdivision Map where no building permits have been issued may prepay the entire Annual Special Tax obligation of IA A of CFD No. 6 for all Assessor's Parcels created by such Final Subdivision Map. In order to prepay the entire Annual Special Tax obligation of IA A of CFD No. 6 (i) there must be no delinquent Special Taxes, penalties, or interest charges outstanding with respect to any Assessor's Parcel in the Final Subdivision Map at the time the Annual Special Tax obligation is prepaid, (ii) prepayment for each Assessor's Parcel in the Final Subdivision Map shall be collected prior to the issuance of the first building permit in such Final Subdivision Map, and (iii) the Final Subdivision Map must ultimately contain at least 25 Detached Units or 50 Attached Units. The Prepayment Amount for an Assessor's Parcel in a Final Subdivision Map eligible for prepayment shall be determined as described below.

1. Prior to Issuance of Bonds

Prior to the issuance of Bonds, the Prepayment Amount in Fiscal Year 2002-03 for each Assessor's Parcel of Developed Property and each Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be the amount equal to the Gross Prepayment Amount. The Gross Prepayment Amount shall be the amount determined by reference to Table 2.

TABLE 2

GROSS PREPAYMENT AMOUNT FISCAL YEAR 2002-03		
Unit Type	Building Square Footage	Gross Prepayment Amount
Detached Unit	≤ 2,100	\$5,982.24 per Unit
Detached Unit	2,101 - 2,400	\$11,570.82 per Unit
Detached Unit	2,401 - 2,700	\$13,094.98 per Unit
Detached Unit	2,701 - 3,000	\$16,143.30 per Unit
Detached Unit	3,001 - 3,300	\$18,683.57 per Unit
Detached Unit	3,301 - 3,600	\$23,764.10 per Unit
Detached Unit	3,601 - 3,900	\$26,812.70 per Unit
Detached Unit	> 3,900	\$28,844.63 per Unit
Attached Unit	< 1,000	\$2,232.63 per Unit
Attached Unit	> 1,000	\$5,982.24 per Unit

Each July 1, commencing July 1, 2003, the Gross Prepayment Amount shall be increased by 2.00% of the amount in effect in the prior Fiscal Year.

2. Subsequent to Issuance of Bonds

Subsequent to the issuance of Bonds, the Prepayment Amount for each applicable Assessor's Parcel shall be calculated according to the following formula (capitalized terms defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Defeasance
plus	Administrative Fee
less	<u>Reserve Fund Credit</u>
equals	Prepayment Amount

As of the date of prepayment, the Prepayment Amount shall be calculated as follows:

1. For each Assessor's Parcel of Developed Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax. For each Assessor's Parcel of Undeveloped Property, compute the Assigned Annual Special Tax and the Backup Annual Special Tax applicable to the Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit issued for that Assessor's Parcel.

2. For each Annual Special Tax obligation to be prepaid, (a) divide the Assigned Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Assigned Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Associate Superintendent, and (b) divide the Backup Annual Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Annual Special Tax applicable to all Assessor's Parcels of Developed Property at buildout, as reasonably determined by the Associate Superintendent.
3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the face value of all outstanding Bonds. The product is the "Bond Redemption Amount."
4. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the outstanding Bonds to be redeemed with the proceeds of the Bond Redemption Amount. This product is the "Redemption Premium."
5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium, and the Reserve Fund Credit (see step 9) to be redeemed with the proceeds of the Prepayment Amount until the earliest call date for the outstanding Bonds.
6. Estimate the amount of interest earnings to be derived from the reinvestment of the Bond Redemption Amount plus the Redemption Premium until the earliest call date for the outstanding Bonds.
7. Subtract the amount computed pursuant to paragraph 6 from the amount computed pursuant to paragraph 5. This difference is the "Defeasance."
8. Estimate the administrative fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption. This amount is the "Administrative Fee."
9. Assuming the reserve fund was funded by Bond proceeds, calculate the "Reserve Fund Credit" as the lesser of: (a) the expected reduction in the applicable reserve requirements, if any, associated with the redemption of outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirements in effect after the redemption of outstanding Bonds as a result of the prepayment from the balance in the applicable reserve funds on the prepayment date. Notwithstanding the foregoing, the Reserve Fund Credit shall in no event be less than 0.

10. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Defeasance, and the Administrative Fee, less the Reserve Fund Credit.

With respect to an Annual Special Tax obligation that is prepaid pursuant to this Section G, the Associate Superintendent shall indicate in the records of IA A of CFD No. 6 that there has been a prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act within thirty (30) days of receipt of such prepayment to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such Annual Special Tax shall cease.

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Tax that may be levied in IA A of CFD No. 6, net of an allocable portion of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Associate Superintendent.

SECTION H PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. Partial Prepayment Times and Conditions

Prior to the issuance of the first building permit for the construction of a production Unit on a Lot within a Final Subdivision Map area, the owner of no less than all the Taxable Property within such Final Subdivision Map area may elect in writing to the Board to prepay a portion of the Annual Special Tax obligations for all the Assessor's Parcels within such Final Subdivision Map area, as calculated in Section H.2. The partial prepayment of each Annual Special Tax obligation shall be collected prior to the issuance of the first building permit with respect to each Assessor's Parcel.

2. Partial Prepayment Amount

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

- PP = the Partial Prepayment Amount
- P_G = the Prepayment Amount calculated according to Section G
- F = the percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 6 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of allocable Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year, as reasonably determined by the Associate Superintendent.

**SECTION I
TERMINATION OF SPECIAL TAX**

The Annual Special Tax shall be levied for a term of thirty-three (33) Fiscal Years after the issuance of Bonds by IA A of CFD No. 6, but in no event shall the Annual Special Tax be levied after Fiscal Year 2040-41.

**SECTION J
EXEMPTIONS**

The Associate Superintendent shall classify as Exempt Property: (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) 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, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements or other restrictions making impractical their utilization for other than the purposes set forth in the easement or the restriction, and (v) other types of Assessor's Parcels, at the reasonable discretion of the Associate Superintendent, provided that no such classification would reduce the Acreage of all Taxable Property to less than 126.90 acres of Acreage. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than 126.90 acres of Acreage will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

**SECTION K
APPEALS**

Any owner of an Assessor's Parcel claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Associate Superintendent not later than one (1) Calendar Year after having paid the first installment of the Special Tax that is being disputed. The Associate Superintendent shall reasonably and promptly review the appeal, and if necessary, reasonably meet with the property owner, reasonably consider written and oral evidence regarding the amount of the Special Tax, and reasonably rule on the appeal. If the Associate Superintendent's decision reasonably requires that the Special Tax for an Assessor's Parcel be reasonably modified or reasonably changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

SECTION L
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA A of CFD No. 6 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

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