

APPENDIX B

**AMENDED AND RESTATED RATE AND METHOD
OF APPORTIONMENT OF SPECIAL TAX**

**AMENDED AND RESTATED
RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
IN AND FOR THE CITY OF LINCOLN
COMMUNITY FACILITIES DISTRICT NO. 2003-1
(LINCOLN CROSSINGS PROJECT)**

A special tax shall be levied annually on each Parcel of land within the City of Lincoln Community Facilities District No. 2003-1 (Lincoln Crossings Project) (the "District"), based upon the Special Tax Liability determined by the City of Lincoln (the "City"), or its designee, through the application of the following procedures. All of the property within the District, unless otherwise exempted by the express provisions of the rate and method of apportionment expressed below, shall be taxed to the extent and in the manner provided below.

It is intended that all special taxes applicable to Parcels be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, and that special taxes so levied will be subject to the same penalties and procedures, sale and lien priority in case of delinquency as is provided for *ad valorem* taxes, subject to any covenant for judicial foreclosure with respect thereto in the Indenture of Trust for any Bonds of the District. Notwithstanding the foregoing, the City may collect the special taxes at such other times or in such other manner as necessary or convenient to satisfy the obligations of the District, including by means of direct billing of the affected property owners.

1. DEFINITIONS

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.

Administrative Expenses means any or all of the following: the fees and expenses of the Trustee (including any fees or expenses of its counsel), the expenses of the City in carrying out its duties with respect to the District or otherwise under the Indenture of Trust (including, but not limited to, the levy and collection of the special taxes) including the fees and expenses of its counsel, an allocable share of the salaries of the City staff directly related to the administration of the District and the Bonds and a proportionate amount of City general administrative overhead related thereto (as allocated in accordance with City policies and practices), any amount required to pay any rebate liability to the federal government and to pay the costs incurred to calculate any possible rebate liability, fees and expenses incurred to comply with any disclosure obligations with respect to the Bonds and/or the District, and all other costs and expenses of the City or the Trustee incurred in connection with the discharge of their respective duties under the Indenture of Trust, and, in the case of the City, in any way related to administration of the District.

Apartment means a single dwelling unit within a building or buildings comprised of attached residential units, all of which are made available for rental by the general public, exclusive of Condominiums.

Bonds mean any and all bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by the District.

Bond Year means the bond year as defined in the Indenture of Trust.

Builder means a developer, merchant builder, or builder that converts a Parcel to Developed Parcel for sale to the initial buyer following the City issued Certificate of Occupancy.

Building Floor Area means the square footage of the area included within the surrounding exterior walls of a building, including each floor of a multiple story building but not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The Building Floor Area will be determined by reference to City approved building permits or certificates of occupancy.

Category means a special tax category set forth in Table 1 for Developed Parcel.

CFD Administrator means the City Finance & Administrative Services Director or designee.

City means the City of Lincoln.

Condominium Unit means a unit meeting the statutory definition of a condominium contained in California Civil Code, Section 1351.

County means the County of Placer.

Debt Service, for each Fiscal Year, is the total annual principal and interest payable on the Bonds during the Bond Year which commences in such Fiscal Year, less any capitalized interest and any other amounts remaining in a bond fund held under the Indenture of Trust as of the end of the previous Fiscal Year and available to pay such principal and interest.

Developed Parcel means a Parcel for which a building permit for new construction was issued as of June 30 of the prior Fiscal Year.

District means the City of Lincoln Community Facilities District No. 2003-1 (Lincoln Crossings Project).

Final Map means a final tract map, parcel map, lot line adjustment or functionally equivalent map that creates individual building sites or Condominium Units, or equivalent, recorded with the County Recorder's Office.

Final Map Lot means a Parcel for which a Final Map has been recorded but for which a building permit has not been issued as of June 30 of the prior Fiscal Year.

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

Indenture of Trust means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which any then outstanding Bonds are issued, and as it may be amended, modified and/or supplemented from time to time.

Large Lot Parcel means a Parcel created by a Large Lot Parcel Map that does not designate final Parcels and is not classified as a Developed Parcel or Final Map Lot.

Large Lot Parcel Map means a recorded Parcel map or maps for each of Phase 1, Phase II and Phase III of the property which subdivides each phase into legal Parcels for sale to merchant builders, which subdivided legal Parcels shall then be further subdivided, into legal lots, pursuant to one or more Final Maps. Each Large Lot Parcel Map shall delineate large lots and when recorded shall designate all of the public rights of way for arterial roadways, collector roadways, adjacent roadways and utility easements.

Lot means an individual legal lot created by a Final Map for which a building permit has been or could be issued.

Maximum Special Tax means the respective maximum special tax for a Developed Parcel, Final Map Lot, Large Lot Parcel, and Undeveloped Parcel, as set forth in Section 2, herein.

Non-Residential Property means all Developed Parcels for which a building permit(s) was issued for a non-residential use.

Parcel means any lot or parcel or portion thereof or Condominium Unit that is within the boundaries of the District shown on an official map of the Assessor of the County.

Phase 1 means Parcel number 008-240-021-000, 008-240-054-000, 021-273-053-000, 021-273-096-000, 021-321-025-000, 021-321-032-000, 021-330-011-000, 021-330-013-000, and 021-330-022-000.

Phase 2 means Parcel number 021-273-097-000, 021-280-095-000, 021-280-096-000, 021-330-023-000, 021-340-015-000, and 021-340-016-000.

Phase 3 means Parcel number 021-280-097-000, 021-280-099-000, and 021-340-017-000.

Residential Property means all Developed Parcels for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

Special Tax Liability for any Fiscal Year is an amount sufficient to pay Debt Service for such Fiscal Year, Administrative Expenses for such Fiscal Year, any amount for direct payment for the cost of acquiring authorized facilities of the District, an amount necessary to replenish any reserve funds for the Bonds, and an amount determined by the CFD Administrator as necessary to make any other payments required to be made in the applicable Fiscal Year by the City or District under the Indenture of Trust for the Bonds.

Taxable Property is all real property within the boundaries of the District, except that the following Parcels shall not be taxed: any land owned, conveyed or irrevocably offered for dedication to a public agency; any land which is a public right of way or which is an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement; Nonresidential Property in Phase 2; and/or any Parcel used exclusively by a homeowners' association. Notwithstanding the aforementioned, if any part of a Parcel is determined to be Taxable Property, then all of that Parcel shall be designated as Taxable Property. Once a Parcel is classified as a Developed Parcel, it shall remain as Taxable Property. A Parcel shall not be exempted from special taxes if such designation would reduce the sum of all remaining Taxable Property to less than 607.5 Acres. Such Parcel will continue to be classified as Undeveloped Property and will continue to be subject to special taxes accordingly.

Total Property Tax Burden includes all *ad valorem* property tax and all overlapping taxes, fees and special assessments.

Trustee means the trustee or fiscal agent designated under the Indenture of Trust.

Undeveloped Parcel means a Parcel of Taxable Property not classified as a Developed Parcel, a Final Map Lot, or a Large Lot Parcel.

2. MAXIMUM SPECIAL TAX RATES

A. DEVELOPED PARCELS: The Maximum Special Tax that may be levied in any Fiscal Year on any Developed Parcel is shown in Table 1. Such amount shall increase each Fiscal Year by two percent (2.0%), commencing July 1, 2004. The special tax on any Developed Parcel within the District shall not be levied after the earlier of (i) 30 years following the Fiscal Year in which the building permit for such Parcel is issued, or (ii) Fiscal Year 2052-53.

TABLE 1
Developed Parcel Maximum Special Tax

Category	Developed	Building Floor Area (Square Footage)	Maximum Special Tax
1	Residential	Less than 1,400	\$1,010 per dwelling unit
2	Residential	1,400 - 1,800	\$1,350 per dwelling unit
3	Residential	1,801 - 2,200	\$1,740 per dwelling unit
4	Residential	2,201 - 2,600	\$1,960 per dwelling unit
5	Residential	2,601 - 3,000	\$2,550 per dwelling unit
6	Residential	Greater than 3,000	\$3,140 per dwelling unit
7	Non-Residential	All	\$0.35 per square foot of Building Floor Area

B. FINAL MAP LOTS: The Maximum Special Tax that may be levied in any Fiscal Year on any Final Map Lot is \$12,000 per acre (said amount to be levied pro rata for any portion of an acre). Such amount shall increase each Fiscal Year by two percent (2.0%), commencing July 1, 2004. The special tax on any Final Map Lot Parcel within the District shall not be levied after Fiscal Year 2052-53.

C. LARGE LOT PARCELS: The Maximum Special Tax that may be levied in any Fiscal Year on any Large Lot Parcel is \$12,000 per acre (said amount to be levied pro rata for any portion of an acre). Such amount shall increase each Fiscal Year by two percent (2.0%), commencing July 1, 2004. The special tax on any Large Lot Parcel within the District shall not be levied after Fiscal Year 2052-53.

D. UNDEVELOPED PARCELS: The Maximum Special Tax that may be levied in any Fiscal Year on any Undeveloped Parcel is \$8,000 per acre (said amount to be levied pro rata for any portion of an acre). Such amount shall increase each Fiscal Year by two percent (2.0%), commencing July 1, 2004. The special tax on any Undeveloped Parcel within the District shall not be levied after Fiscal Year 2052-53.

3. ASSIGNMENTS TO CATEGORIES; LEVY

A. ANNUAL TAX CATEGORIES: On or about July 1 of each year, but in any event in sufficient time to include the levy of the special taxes on the County's secured tax roll, the CFD Administrator shall determine for each Parcel within the District whether it is Taxable Property, and, if so, whether such Parcel is a Developed Parcel, Final Map Lot, Large Lot Parcel, or Undeveloped Parcel. Each Developed Parcel shall be further assigned to a Category. Parcels subject to levy shall be determined based upon the latest equalized roll of the County Assessor for such Fiscal Year.

B. APPORTIONMENT OF SPECIAL TAX LIABILITY. The CFD Administrator, shall then determine the Special Tax Liability for the Fiscal Year commencing such July 1, and levy special taxes as follows until the amount of the special taxes levied equals the Special Tax Liability:

Step 1: Levy special taxes on Developed Parcels as needed to satisfy the Special Tax Liability, pro rata up to 100% of the Developed Parcel Maximum Special Tax, pursuant to Table 1, herein.

Step 2: If additional funds are needed after the first step has been calculated to satisfy the Special Tax Liability, in addition to the levy of the prior step, levy special taxes on all Parcels designated as Final Map Lots on a pro rata basis at up to 100% of the Final Map Lot Maximum Special Tax as needed.

Step 3: If additional funds are needed after the second step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on all Phase 1 Large Lot Parcels on a pro rata basis at up to 100% of the Large Lot Parcel Maximum Special Tax as needed.

- Step 4: If additional funds are needed after the third step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on all Phase 2 Large Lot Parcels on a pro rata basis at up to 100% of the Large Lot Parcel Maximum Special Tax as needed.
- Step 5: If additional funds are needed after the fourth step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on all Phase 3 Large Lot Parcels on a pro rata basis at up to 100% of the Large Lot Parcel Maximum Special Tax as needed.
- Step 6: If additional funds are needed after the fifth step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on all Phase 1 Undeveloped Parcels on a pro rata basis at up to 100% of the Undeveloped Parcel Maximum Special Tax as needed.
- Step 7: If additional funds are needed after the sixth step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on Phase 2 Undeveloped Parcels on a pro rata basis at up to 100% of the Undeveloped Parcel Maximum Special Tax as needed.
- Step 8: If additional funds are needed after the seventh step has been calculated to satisfy the Special Tax Liability, in addition to the levy of all prior steps, levy special taxes on Phase 3 Undeveloped Parcels on a pro rata basis at up to 100% of the Undeveloped Parcel Maximum Special Tax as needed.

Under no circumstances will the special taxes levied against any Parcel used as a private residence be increased as a consequence of delinquency or default by the owner of any other Parcel or Parcels within the District by more than ten (10) percent of the special tax that would be levied in that Fiscal Year, if there were no delinquencies, pursuant to California Government Code Section 53321(d), as in effect on the date of formation of the District.

4. PREPAYMENTS OF SPECIAL TAXES

The special taxes for any Developed Parcel may be prepaid, and permanently satisfied, (i) in total, (ii) in the case of a partial prepayment, in the ratio of 25%, 50% or 75% of the full prepayment amount, or (iii) in the amount determine for a mandatory prepayment. An owner of a Parcel of Taxable Property who desires to prepay and permanently satisfy all or part of the special tax obligation for a Parcel shall notify the CFD Administrator in writing of such intention. The CFD Administrator, shall calculate and determine the prepayment amount, determine that the sum of the maximum special tax of all remaining Parcels is sufficient to levy a minimum of 110% of the Debt Service in all future Fiscal Years, and such determination shall be final and conclusive.

A. FULLY PREPAYING THE SPECIAL TAX FOR A DEVELOPED PARCEL:

1. The prepayment amount is computed by dividing the most current levied special tax amount for such Developed Parcel by the most current total levied special tax amount for

all Parcels within the District, and multiplying the results by the principal amount of any outstanding Bonds and Bonds authorized to be issued.

2. The prepayment amount calculated in (1) above for a particular Parcel will be (a) increased in the amount of: (i) applicable redemption premium, if any, on the Bonds to be redeemed with such prepayment; (ii) an amount determined by the CFD Administrator to offset any difference between the amount needed to pay interest on the principal amount of Bonds to be redeemed until the earliest redemption and the amount derived from the reinvestment of the prepaid special tax pending the redemption of such Bonds; and (iii) an amount determined by the CFD Administrator to pay for the applicable Administrative Expenses to provide such prepayment; and (b) decreased in the amount of (i) any special taxes heretofore paid in respect of said Parcel, then held by the Trustee and available for payment on the Bonds, (ii) any reduction in the amount on deposit in the reserve fund for the Bonds due to the redemption of the Bonds with the proceeds of such prepayment and (iii) a pro rata amount of remaining capitalized interest allocable to the Parcel, if any.

The Parcel with respect to which prepayment is made must not be delinquent in any payment of special taxes previously levied within the District. Prepayment shall not relieve any property owner from paying those special taxes which have already become due and payable, and a Notice of Cessation of Special Tax Lien shall not be recorded against any Parcel pursuant to California Government Code Section 53344, until all special taxes with respect to that Parcel have been paid.

B. PARTIALLY PREPAYING THE SPECIAL TAX FOR A DEVELOPED PARCEL:

1. The partial prepayment amount is computed by dividing the most current levied special tax amount for such Developed Parcel by the most current total levied special tax amount for all Parcels within the District, then multiplying the results by the principal amount of any outstanding Bonds and Bonds authorized to be issued, and then multiplying the result by the intended partial prepayment percentage (25%, 50% or 75%).

2. The partial prepayment amount calculated in (3) above for a particular Parcel will be (a) increased in the amount of: (i) applicable redemption premium, if any, on the Bonds to be redeemed with such prepayment; (ii) an amount determined by the CFD Administrator to offset any difference between the amount needed to pay interest on the principal amount of Bonds to be redeemed until the earliest redemption and the amount derived from the reinvestment of the prepaid special tax pending the redemption of such Bonds; and (iii) an amount determined by the CFD Administrator to pay for the applicable Administrative Expenses to provide such prepayment; and (b) decreased in the amount of (i) any special taxes heretofore paid in respect of said Parcel, then held by the Trustee and available for payment on the Bonds, (ii) any reduction in the amount on deposit in the reserve fund for the Bonds due to the redemption of the Bonds with the proceeds of such prepayment and (iii) a pro rata amount of remaining capitalized interest allocable to the Parcel, if any.

3. Following the receipt of a partial prepayment, a revised Maximum Special Tax shall be computed to reflect the applicable partial prepayment for such Parcel, by multiplying the current special tax rate shown in Table 1, by the remaining difference between 100% and the actual

partial prepayment percentage (25%, 50% or 75%). Such revised Maximum Special Tax rate, plus all allowable increases under Section 2 herein, shall be used in subsequent Fiscal Years to apportion the Special Tax Liabilities under Section 3B herein.

The Parcel with respect to which a partial prepayment is made must not be delinquent in any payment of special taxes previously levied within the District. Partial prepayment shall not relieve any property owner from paying those special taxes that have already become due and payable. An amended Notice of Special Tax Lien shall be recorded against such Parcel to reflect the revised Maximum Special Tax calculated in (5).

C. MANDATORY PARTIAL PREPAYMENT:

Prior to the close of escrow for the first transfer of title of any Developed Parcel after the date on which a Certificate of Occupancy for such Parcel was issued by the City, the Maximum Special Tax shall be subject to mandatory partial prepayment in a amount necessary to bring the Total Property Tax Burden for the then-current Fiscal Year to an amount less than or equal to 2% of the sale price of the Parcel. The amount required shall be due and payable upon transfer of title. No prepayment shall be required if the Total Property Tax Burden is not in excess of the 2% limit. The Builder shall notify the CFD Administrator in writing of the mandatory partial repayment requirement at least 30 days prior to close of escrow. The CFD Administrator shall calculate and determine the prepayment amount using the methodology for a partial prepayment herein, except that the partial prepayment shall be in the exact percentage required for a Total Property Tax Burden not in excess of the 2% limit.

5. APPEALS

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after the due date of the first installment of the Special Tax that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the CFD Administrator decision requires that the Special Tax for such Parcel be modified or 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 Parcel in the subsequent Fiscal Year(s).