
Rate & Methods of Apportionment

SWEETWATER UNION HIGH SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 1

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the proposed district to estimate the annual amount that would be required for payment. For particulars as to the rate and method of apportionment, see the following:

BASE TAX

The base tax for fiscal year 1986-87 is \$290.00, and said base tax shall be annually adjusted to reflect changes in the Building Cost Index, not less than 2%. Once property is subject to a final building permit and is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied in the following order of priority.

TAX CATEGORIES AND TAX FACTORS

CATEGORY I. FINAL LAND USE RATE: The maximum annual special tax for taxable property in one of the following tax categories shall be levied and applicable upon the issuance of a building permit for such property, and shall be paid for a period not to exceed 25 years or until all bonds have been discharged, whichever is earlier.

<u>RESIDENTIAL [Developed Square Foot]</u>	<u>FACTOR (% of Base Tax)</u>
400 - 950	55%
951 - 1,100	80%
1,101 - 1,350	95%
1,351 - 1,500	110%
1,501 - 1,650	125%
1,651 - 2,000	150%
2,001+	180%

COMMERCIAL [Developed Square Foot]

Per square foot of developed space .15%

INDUSTRIAL

Per acre of land 500%

CATEGORY II.APPROVED LAND USE RATE: The maximum annual special tax for all taxable property in the following category shall be levied and applicable at the time of approval of any final subdivision tract and/or parcel map, and said tax shall be levied as long as needed to pay for facilities and/or pay debt service on bonds.

ALL LAND

BASE TAX

Per acre or pro-rata

portion thereof

250%

CATEGORY III. ACREAGE RATE: To the extent that the special tax revenues collected from Category I and Category II are insufficient to meet the annual payment for debt service on the bonds, all other taxable property not subject to one of the above taxing categories shall be subject to a tax rate not to exceed \$1,000 per acre, or pro-rata portion thereof.

DEFINITIONS

"Developed square foot" shall be the square footage of the development as set forth in any building plan for which a building permit has been issued.

"Commercial" shall include all retail and office use.

"Industrial" shall include all properties not within a residential or commercial use, which properties are subject to tax under these proceedings.

"Acre or parcel" shall be the area of the lots or parcels as shown on any final approved subdivision and/or parcel map, or if not subject to any final approved subdivision and/or parcel map, shall be the acreage as shown on the last County Assessor's maps for each year any tax is to be levied.

The "Building Cost Index" shall be the Building Cost Index for the City of Los Angeles adjusted annually based upon the last available data as of June 30th of each year, as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

SWEETWATER UNION HIGH SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the proposed district to estimate the annual amount that would be required for payment.

For particulars as to the rate and method of apportionment, see the following:

BASE TAX

The base tax for fiscal year 1987-88 is \$303.00, and said base tax shall be annually adjusted to reflect changes in the Building Cost Index, not less than 2%. Once property is subject to a final building permit and is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year. The "Building Cost Index" shall be the Building Cost Index for the City of Los Angeles adjusted annually based upon the last available data as of June 30th of each year, as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

In determining the square footage of a parcel, the area of such parcel as shown on any final approved subdivision and/or parcel map, the square footage as shown on the last County Assessor's map for each year any tax is levied will be used.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied in the following order of priority.

PROPERTY TAX CATEGORIES AND SPECIAL TAX FACTORS

CATEGORY I. FINAL LAND USE RATE: All property, upon the issuance of a building permit, shall be subject to the following taxes for a period not to exceed 25 years, said tax to be levied to pay for authorized public capital facilities and debt service on issued bonds:

RESIDENTIAL (Sq Ft of lot or parcel) **FACTOR (% of Base Tax)**

10,000 feet or larger	225%
8,000 to 9,999	185%
6,000 to 7,999	150%
5,000 to 5,999	135%
4,180 to 4,999	120%
Less than 4,179	100%

OTHER USES

FACTOR (% of Base Tax)

Duplex (per unit)	85%
Apartment (per unit)	45%
Condominium (per unit)	95%
Commercial/Industrial (per 1,000 sqft)	25%

CATEGORY II APPROVED LAND USE RATE: If there is insufficient revenue from the Category I special tax to pay debt service on any outstanding bonds, special taxes shall then be levied on Category II property, said tax to be levied until all bonds have been discharged in the following manner:

The maximum annual special tax for any taxable property in this Category shall be levied and applicable to properties subject to a final subdivision tract and/or parcel map.

<u>RESIDENTIAL (Sq Ft of lot or parcel)</u>	<u>FACTOR (% of Base Tax)</u>
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10,000 feet or larger	225%
8,000 to 9,999	185%
6,000 to 7,999	150%
5,000 to 5,999	135%
4,180 to 4,999	120%
Less than 4,179	100%

<u>OTHER USES</u>	<u>FACTOR (% of Base Tax)</u>
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Duplex (per unit)	85%
Apartment (per unit)	45%
Condominium (per unit)	95%
Commercial/Industrial (per 1,000 sqft)	25%

CATEGORY III. ACREAGE RATE: If there is insufficient revenue from the Category I and Category II special tax to pay debt service on any outstanding bonds, special taxes shall then be levied on Category III property in the following manner:

Not to exceed \$1,600.00 per acre until all bonds have been discharged.

For all particulars relating to the implementation, further interpretation, definitions and all other particulars relating to the method and apportionment of the tax reference is made to the SPECIAL TAX REPORT as previously approved by this Board of trustees, a copy of which is on file in the Office of the Secretary and open for public inspection. The SPECIAL TAX REPORT shall control and govern as to any specifics relating to the implementation and administration of the total, maximum and/or annual debt service formula, and said REPORT is consistent with all materials as set forth in the Resolution of Formation.

**SWEETWATER UNION HIGH SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 3**

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit thereto for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the proposed district to estimate the annual amount that would be required for payment.

For particulars as to the rate and method of apportionment, see the following:

BASE TAX

The base tax for fiscal year 1988-89 is \$0.22, per square foot, and said base tax shall be annually adjusted to reflect changes in the Building Cost Index, but the annual increase will be not less than 2%. Once property is subject to a final building permit and thus is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year. The "Building Cost Index" shall be the Building Cost Index for the city of Los Angeles adjusted annually based upon the last available data as of June 30th of each year, as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied in the following order of priority.

PROPERTY TAX CATEGORIES AND SPECIAL TAX FACTORS

CATEGORY I. FINAL LAND USE: All property, upon the issuance of a building permit, shall be subject to the following taxes for a period not to exceed 25 years, said tax to be levied to pay for authorized public capital facilities and debt service on issued bonds:

<u>RESIDENTIAL</u>	<u>FACTOR (% of Base Tax)</u>
	100%
Single family dwelling unit	
Duplex	90%
Triplex	90%
Fourplex	90%
Condominium	90%
Townhome	90%
Apartment, per unit	60%
Retirement facility unit	16.67%

<u>OTHER USES</u>	<u>FACTORS (% of Base Tax)</u>
Commercial and/or Industrial	16.67%

CATEGORY II. ACREAGE RATE: If there is insufficient revenue from Category I special tax to pay debt service on any outstanding bonds, special taxes shall then be levied on category II property in the following manner:

Not to exceed \$1,500.00 per gross acre on any land which is not subject to Category I taxes and for which a tentative subdivision or parcel map has been approved by the City of Chula Vista and land shall continue to be subject to the tax as needed even if the map is subsequently removed and/or rescinded until all bonds have been discharged.

The SPECIAL TAX REPORT, as authorized by Government Code §53321.5, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula.

SWEETWATER UNION HIGH SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 4

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit thereto for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the proposed district to estimate the annual amount that would be required for payment. For particulars as to the rate and method of apportionment, see the following:

BASE TAX

The base tax for fiscal year 1988-89 is \$0.22, per square foot, and said base tax shall be annually increased June 30 of each year to reflect changes in the Building Cost Index, but not less than 2% and not more than 7% per year. Once property is subject to a final building permit and thus is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year. The "Building Cost Index" shall be the Building Cost Index for the city of Los Angeles as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied in the following order of priority.

PROPERTY TAX CATEGORIES AND SPECIAL TAX FACTORS

CATEGORY I. FINAL LAND USE: All developed property, being property for which a building permit has been issued, shall be subject to the following taxes for a period not to exceed 25 years, said tax to be levied to pay for authorized public capital facilities and debt service on issued bonds:

<u>RESIDENTIAL</u>	<u>FACTOR (% of Base Tax)</u>
Single family dwelling unit	100%
Duplex	90%
Triplex	90%
Fourplex	90%
Condominium, per unit*	90%
Townhome	90%
Apartment, per unit*	60%
Retirement facility unit	16.67%

OTHER USES

FACTORS (% of Base Tax)

Commercial and/or Industrial

16.67%

CATEGORY II.ACREAGE RATE: If there is insufficient revenue from Category I Special tax to pay debt service, because of a delinquency in payment of a Category I special tax, on any outstanding bonds, special taxes shall then be levied on undeveloped property in accordance with the following conditions, such amount on Undeveloped Property shall in no event exceed \$1,500.00 per net acre on any land which is not subject to Category I taxes and no amount shall be levied unless:

1. Funds are not otherwise available to meet debt service.
2. All reserve fund monies available for use, or projected for imminent use, to meet debt service have been exhausted.

Owners of Undeveloped Property may advance funds directly to the District in lieu of the levy of a Category II special tax and be repaid with funds, together with interest and penalties, received thereon by the District to cure the default.

* Condominium, Apartment per unit:

Although a condominium map may be filed, for purposes of the percentage of base tax assessed against condominiums and interpretation of where condominiums should be considered in the above-referenced chart, a condominium shall be considered to be an apartment until one unit in the condominium building is sold, at which time all of the units in that building shall be considered to be condominiums. For purposes of this paragraph, "sold" shall mean the date that the grant deed conveying the individual condominium is recorded in the Office of the San Diego County Recorder.

The SPECIAL TAX REPORT, as authorized by Government Code §53321.5, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula.

SWEETWATER UNION HIGH SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 5

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit thereto for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the proposed district to estimate the annual amount that would be required for payment.

For particulars as to the rate and method of apportionment, see the following:

BASE TAX

The base tax for fiscal year 1988-89 is \$0.234, per square foot, and said base tax shall be annually adjusted to reflect changes in the Building Cost Index, but the annual increase will not be less than 2%. Once property is subject to a final building permit and thus is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year. The "Building Cost Index" shall be the Building Cost Index for the city of Los Angeles adjusted annually based upon the last available data as of June 30th of each year, as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied as follows:

PROPERTY TAX CATEGORIES AND SPECIAL TAX FACTORS

FINAL LAND USE: All property, upon the issuance of building permit, shall be subject to the following taxes for a period not to exceed 25 years, said tax to be levied to pay for authorized public capital facilities and debt service on issued bonds:

<u>RESIDENTIAL</u>	<u>FACTOR (% of Base Tax)</u>
Single family dwelling unit	100%
Duplex	90%
Triplex	90%
Fourplex	90%
Condominium	90%
Townhome	90%
Apartment, per unit	60%
Retirement facility unit	16.67%

<u>OTHER USES</u>	<u>FACTORS (% of Base Tax)</u>
Commercial and/or Industrial	16.67%

No other special taxes are authorized.

The SPECIAL TAX REPORT, as authorized by Government Code §53321.5, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula.

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

COMMUNITY FACILITIES DISTRICT NO. 6

SWEETWATER UNION HIGH SCHOOL DISTRICT

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 6 (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property and Undeveloped Property, as described below. All Developed Property and Undeveloped Property within the CFD, unless exempted by law or the provisions of Section VI below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the latest San Diego County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, the determination of the acreage shall be made by the School District.

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. and IV. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year, and on each Assessor's Parcel classified as Undeveloped Property for a period not to exceed the term of any Bonds which may be secured by such Undeveloped Property.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii) Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

“Apartment Unit” means a Residential Dwelling Unit which is an apartment unit available for rental, and not purchase, by the general public and not subject to a condominium map.

“Assessor’s Parcel” means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

“Board” means the Board of Trustees of the Sweetwater Union High School District.

“Bonds” means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

“CFD” means Community Facilities District No. 6 of the School District.

“Commercial/Industrial/Other Property” means property zoned for commercial/industrial use or any other uses, other than uses associated with a Residential Dwelling Unit or an Age-Restricted Unit.

“Cost Index” means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit was issued to permit the construction of a Residential Dwelling Unit or Age-Restricted Unit on or before June 30 of the preceding Fiscal Year.

“Facilities” means the school facilities designated in the CFD Special Tax Report approved by the Board.

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

“House Square Footage” means the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor’s Parcel of Developed Property.

“Land Use Category” means the classification of a Residential Dwelling Unit or Age-Restricted Unit based on the applicable definitions in Section I.

“Owner” means The Otay Ranch Company, or its designee.

“Residential Dwelling Unit” means any residential dwelling unit, except for an Age-Restricted Unit, constructed or to be constructed for habitable living purposes.

“Special Tax” means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

“Taxable Property” means all Assessor’s Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section VI below.

“Undeveloped Property” means all Taxable Property that is not classified as Developed Property.

“Undeveloped Property Shortfall Tax per Acre” means a Special Tax that may be levied on Undeveloped Property pursuant to Section IV herein.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1997, each Assessor’s Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category as provided for in Table 1 below.

III. ANNUAL MAXIMUM SPECIAL TAX:

A. Developed Property

The Annual Maximum Special Tax for any Assessor’s Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1997/98 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Annual Maximum Special Tax (1997/98)</u>
1	Residential Dwelling	\$.2841 multiplied by House Square
2	Age-Restricted Unit	\$.0477 multiplied by House Square

The Annual Maximum Special Tax rate noted in Table 1 above has been established on the basis that 1,038 Apartment Units will ultimately be classified as Developed Property. In the event that more than 1,038 Apartment units are ultimately classified as Developed Property, each Apartment Unit in excess of 1,038 Apartment Units shall have an Annual Maximum Special Tax of \$521 per Apartment Unit in lieu of the Residential Dwelling Unit rate described in Table 1 for the 1997/98 Fiscal Year.

In determining the Annual Maximum Special Tax applicable to an Assessor’s Parcel of Developed Property in its Initial Fiscal Year, the Annual Maximum Special Tax for each Land Use Category in Table 1 shall be increased in the 1998/99 Fiscal Year, and each Fiscal Year thereafter, by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor’s Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

B. Undeveloped Property

The School District may levy a Special Tax on Undeveloped Property based on the criteria described in Sections IV. and V. The Annual Maximum Special Tax for an Assessor's Parcel classified as Undeveloped Property for the Fiscal Year 1997/98 shall be \$1,602 per Acre. In determining the Annual Maximum Special Tax per Acre for an Assessor's Parcel classified as Undeveloped Property for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax per Acre shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent.

IV. METHOD OF APPORTIONMENT OF THE SPECIAL TAX:

Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the Board shall levy the Special Tax in the following order of priority:

First, on each Assessor's Parcel of Developed Property, up to the Annual Maximum Special Tax applicable to Developed Property, to fund the Annual Special Tax Requirement; and,

Second, on each Assessor's Parcel of Undeveloped Property in an amount equal to the lessor of the: i) the Annual Maximum Special Tax per Acre applicable to Undeveloped Property pursuant to Section III, or ii) the Undeveloped Property Shortfall Tax per Acre calculated pursuant to Section V.

V. CALCULATION OF THE UNDEVELOPED PROPERTY SHORTFALL TAX PER ACRE:

The School District plans to issue Bonds in series or increments over time. Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the School District shall calculate the Undeveloped Property Shortfall Tax per Acre, if any, based on the following steps:

Step 1: Prior to each Bond issue date, the Owner shall provide the School District a reasonable projection of the estimated number of building permits, the related House Square

Footage, and Land Use Category anticipated to be obtained over the next two (2) Fiscal Years immediately following the Fiscal Year in which Bonds are issued.

Step 2: The School District shall assign each estimated building permit, related House Square Footage, as provided in Step 1, to the applicable Land Use Category in Table 1 to determine total estimated Special Tax revenues anticipated to be produced in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the School District issues Bonds on March 1, 1998, the Owner reasonably estimates obtaining building permits for Residential Dwelling Units that all have a House Square Footage of 1,600 square feet, and the Annual Maximum Special Tax of \$454.56 per unit (i.e., \$.2841 x 1,600 square feet) increases at 2% per year commencing in Fiscal Year 1998/99 and each Fiscal Year thereafter, the following would apply:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Estimated Building Permits from Step 1:		
7/1/98 to 6/30/99	200	0
7/1/99 to 6/30/00	<u>0</u>	<u>175</u>
Cumulative Building Permits	<u>200</u>	<u>375</u>
Annual Maximum Special Tax per Residential Dwelling Unit		
	<u>\$472.92</u>	<u>\$482.38</u>
Total Estimated Special Tax Revenues From Step 2	<u>\$94,585</u>	<u>\$180,894</u>

Step 3: Commencing on July 10 after the end of the first Fiscal Year in Step 1, and on each July 10 thereafter, the District shall determine: (i) the actual number of new building permits that were prepaid in full or part as provided for in Section VII., and (ii) the actual number of new building permits that were obtained since the beginning of the first Fiscal Year in Step 1. The School District shall assign each actual building permit, and the actual House Square Footage to the applicable Land Use Category in Table 1 to determine total actual Special Tax revenues to be entered on the tax roll as Developed Property in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the same assumptions in Step 2 above, except the actual number of building permits are different than the estimated building permits and 25 of the 375 building permits were prepaid in full on November 1, 1998, as follows:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Actual Building Permits from Step 3:		
7/1/98 to 6/30/99	175	0
7/1/99 to 6/30/00	<u>0</u>	<u>200</u>
Cumulative Building Permits	<u>175</u>	<u>375</u>
Less: Cumulative Building Permits Prepaid in Full	<u>(25)</u>	<u>(25)</u>
Cumulative Building Permits Subject to the Annual Maximum Special Tax	<u>150</u>	<u>350</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$472.92</u>	<u>\$482.38</u>
Total Actual Special Tax Revenues from Step 3	<u>\$70,939</u>	<u>\$168,834</u>

Step 4: The District shall compare the total estimated Special Tax revenues in Step 2 to the total actual Special Tax revenues in Step 3. Prior to performing this comparison, the School District shall determine if any building permits were prepaid in full or part as provided for in Section VII. and, if so, shall provide a credit against the total estimated Special Tax revenues in Step 2 in an amount equal to the actual number of building permits that were prepaid multiplied by their applicable Annual Maximum Special Tax.

If the amount in Step 3 is equal to or greater than the amount in Step 2, the CFD shall have no authority to levy the Undeveloped Property Shortfall Tax per Acre. If the amount in Step 3 is less than the amount in Step 2, the School District shall compute the difference, and Step 5 would apply.

Example:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Total Estimated Special Tax Revenues (Step 2)	\$94,585	\$180,894
Less: Prepayments (25 units x \$368.96/unit increasing at 2% per year)	<u>(11,823)</u>	<u>(12,060)</u>
Total Estimated Special Tax Revenues (Adjusted)	<u>82,762</u>	<u>168,834</u>
Total Actual Special Tax Revenues (Step 3)	<u>70,939</u>	<u>168,834</u>
Total Undeveloped Property Shortfall Tax	<u>\$11,823</u>	<u>\$0</u>

Step 5: Prior to levying an Undeveloped Property Shortfall Tax per Acre on the tax rolls School District shall take into account and reduce such levy by the amount of any available funds of the CFD. The District shall levy the Undeveloped Property Shortfall Tax per Acre on

all Undeveloped Property by dividing the amount determined in Step 4 (less any available funds of the CFD) by the total Acres. The amount determined herein shall be the "Undeveloped Property Shortfall Tax per Acre to be applied in Section IV.

VI. EXEMPTIONS:

The Board shall not levy a Special Tax on: i) Assessor's Parcels of property existing at the time of the establishment of the CFD which will be conveyed, dedicated, or irrevocably offered for dedication to a public agency pursuant to the City of Chula Vista Sectional Plan, including property owned by a public agency which is in public use; property which is utilized for public utility purposes and not occupied on a regular basis by employees of the utility; property irrevocably dedicated to a public agency for public use; property owned by a church and utilized for church purposes; property owned by a homeowner's association; property which is zoned for open space; property used as a golf course other than clubhouse facilities; and property which has no intrinsic value upon foreclosure, such as sliver parcels at entries and perimeter landscape parcels, ii) Assessor's Parcels of Commercial/Industrial/Other Property, and iii) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VII. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property or land in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

A. At the time of issuance of a building permit for a Residential Dwelling Unit or Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, and the paragraphs that follow Table 2.

Table 2

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Prepayment Amount (1997/98)</u>
1	Residential Dwelling	\$3.0986 multiplied by House Square
2	Age-Restricted Unit	\$0.5206 multiplied by House Square

The Prepayment Amount noted in Table 2 above has been established on the basis that 1,038 Apartment Units will ultimately be classified as Developed Property. In the event that more than 1,038 Apartment Units are ultimately classified as Developed Property, each Apartment Unit in excess of 1,038 Apartment Units shall pay a prepayment amount of \$5,680

per Apartment Unit in lieu of the Residential Dwelling Unit rate described in Table 2 for the 1997/98 Fiscal Year.

In determining the prepayment amount applicable to a Residential Dwelling Unit or Age-Restricted Unit for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

B. After a building permit has been issued for a Residential Dwelling Unit or an Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:

1. Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property.

2. Add the sum of the following to the amount determined in the preceding paragraph:

i. Unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll;

VIII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

IX. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VII. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

X. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will communicate the findings of the Appeals Panel. If the findings of the Appeals Panel verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted. The time period used for calculating a refund will be limited to three years preceding the appeal.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these proceedings so long as such interpretations are consistent with that certain Agreement made as of July 10, 1998, between the School District and the Owner.

SWEETWATER UNION HIGH SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 8

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

The Resolution of Intention refers to this Exhibit thereto for an explanation of the rate and apportionment of the special tax so as to allow each landowner or resident within the District to estimate the maximum annual amount of the Special Taxes to be levied.

BASE TAX

The base tax for fiscal year 1992-93 is \$0.17, per square foot of developed residential property (square footage is measured at the outside wall but does not include garages, open walkway, etc.), and said base tax shall be annually adjusted to reflect changes in the Building Cost Index, but the annual increase will not be less than 2% nor more than 15%. Once property is subject to a final building permit and thus is within the Category I tax rate, said property and tax rate shall only be subject to escalation not to exceed 2% per year. The "Building Cost Index" shall be the Building Cost Index for the city of Los Angeles adjusted annually based upon the last available data as of June 30th of each year, as set forth in the ENGINEERING NEWS-RECORD (ENR), McGraw-Hill Construction Weekly.

TAX RATES

Tax rates shall be based upon and not exceed the annual base tax adjusted by the tax factor for each tax category as set forth below as determined on June 30th of each year. All taxable property shall be subject to a single rate of special tax levied as follows:

PROPERTY TAX CATEGORIES AND SPECIAL TAX FACTORS

CATEGORY I - FINAL LAND USE: All property within Zone "A" and "B", upon the issuance of building permit prior to July 1 of the current fiscal year, shall be subject to the following taxes for a period not to exceed 25 years, said tax to be levied to pay for authorized public capital facilities and debt service on issued bonds:

<u>RESIDENTIAL</u>	<u>FACTOR (% of Base Tax)</u>
Single family dwelling unit	100%
Duplex	90%
Triplex	90%
Fourplex	90%
Condominium	90%
Townhome	90%
Apartment, per unit	80%
Retirement facility unit	16.67%

OTHER USES

FACTORS (% of Base Tax)

Commercial and/or Industrial

16.67%

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
COMMUNITY FACILITIES DISTRICT NO. 9A
SWEETWATER UNION HIGH SCHOOL DISTRICT**

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 9A (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property and Undeveloped Property, as described below. All Developed Property and Undeveloped Property within the CFD, unless exempted by law or the provisions of Section VI below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the latest San Diego County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, the determination of the acreage shall be made by the City Engineer.

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. and IV. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year, and on each Assessor's Parcel classified as Undeveloped Property for a period not to exceed the term of any Bonds which may be secured by such Undeveloped Property.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii)

Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

“Apartment Unit” means a Residential Dwelling Unit which is an apartment unit available for rental, and not purchase, by the general public and not subject to a condominium map.

“Assessor’s Parcel” means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

“Board” means the Board of Trustees of the Sweetwater Union High School District.

“Bonds” means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

“CFD” means Community Facilities District No. 9A of the School District.

“Commercial/Industrial/Other Property” means property zoned for commercial/industrial use or any other uses, other than uses associated with a Residential Dwelling Unit or an Age-Restricted Unit.

“Cost Index” means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit was issued to permit the construction of a Residential Dwelling Unit or Age-Restricted Unit on or before June 30 of the preceding Fiscal Year.

“Facilities” means the school facilities designated in the CFD Special Tax Report approved by the Board.

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

“House Square Footage” means the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor's Parcel of Developed Property.

“Land Use Category” means the classification of a Residential Dwelling Unit or Age-Restricted Unit based on the applicable definitions in Section I.

“Owner” means The Otay Ranch Company, or its designee.

“Residential Dwelling Unit” means any residential dwelling unit, except for an Age-Restricted Unit, constructed or to be constructed for habitable living purposes.

“Special Tax” means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

“Taxable Property” means all Assessor’s Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section VI below.

“Undeveloped Property” means all Taxable Property that is not classified as Developed Property.

“Undeveloped Property Shortfall Tax per Acre” means a Special Tax that may be levied on Undeveloped Property pursuant to Section IV herein.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1997, each Assessor’s Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category based on its land use designation and House Square Footage as provided for in Table 1 below.

III. ANNUAL MAXIMUM SPECIAL TAX:

A. Developed Property

The Annual Maximum Special Tax for any Assessor’s Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1997/98 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>House Square Footage</u>	<u>Annual Maximum Special Tax (1997/98)</u>	<u>Annual Maximum Special Tax (1997/98)</u>
1	Single Family Detached Unit	3,000 sqft & above	\$531	N/A
2	Single Family Detached Unit	2,500 - 2999 sqft	429	N/A
3	Single Family Detached Unit	2,250 - 2,499	398	N/A
4	Single Family Detached Unit	2,000 - 2,249	377	N/A
5	Single Family Detached Unit	1,750 - 1,999	343	N/A
6	Single Family Detached Unit	Less than 1,750 sqft	324	N/A
7	Multi-Family Unit	1,500 sqft & above	298 (1)	368 (2)
8	Multi-Family Unit	1,300 - 1,499 sqft	277 (1)	347 (2)
9	Multi-Family Unit	1,000 - 1,299 sqft	247 (1)	317 (2)
10	Multi-Family Unit	Less than 1,000 sqft	216 (1)	286 (2)
11	Apartment Unit	N/A	357	N/A
12	Age-Restricted Unit	N/A	60	N/A

(1) Represents the Annual maximum Special Tax Rates applicable to the first 886 Multi-Family Units classified as Developed Property in the CFD.

- (2) Represents the Annual Maximum Special Tax rates applicable to all Multi-Family Units classified as Developed Property in excess of the first 886 Multi_family Units classified as Developed Property in the CFD.

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property for the 1998/99 Fiscal Year and each Fiscal Year thereafter, the Annual Maximum Special Tax for each Land Use Category shall be increased by the greater of i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

B. Undeveloped Property

The School District may levy a Special Tax on Undeveloped Property based on the criteria described in Sections IV. and V. The Annual Maximum Special Tax for an Assessor's Parcel classified as Undeveloped Property for the Fiscal Year 1997/98 shall be \$1,200 per Acre. In determining the Annual Maximum Special Tax per Acre for an Assessor's Parcel classified as Undeveloped Property for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax per Acre shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent.

IV. METHOD OF APPORTIONMENT OF THE SPECIAL TAX:

Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the Board shall levy the Special Tax in the following order of priority:

First, on each Assessor's Parcel of Developed Property, up to the Annual Maximum Special Tax applicable to Developed Property, to fund the Annual Special Tax Requirement; and,

Second, on each Assessor's Parcel of Undeveloped Property in an amount equal to the lesser of the: i) the Annual Maximum Special Tax per Acre applicable to Undeveloped Property pursuant to Section III, or ii) the Undeveloped Property Shortfall Tax per Acre calculated pursuant to Section V.

V. CALCULATION OF THE UNDEVELOPED PROPERTY SHORTFALL TAX PER ACRE:

The School District plans to issue Bonds in series or increments over time. Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the School District shall calculate the Undeveloped Property Shortfall Tax per Acre, if any, based on the following steps:

Step 1: Prior to each Bond issue date, the Owner shall in its sole discretion provide the School District an estimate of the number of building permits, related building square footages, and unit type anticipated to be obtained over the next two (2) Fiscal Years immediately following the Fiscal Year in which Bonds are issued.

Step 2: The School District shall assign each estimated building permit, related building square footage, as provided in Step 1, to the applicable category in Table 1 to determine total estimated Special Tax revenues anticipated to be produced in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the School District issues Bonds on March 1, 1998, the Owner solely anticipates obtaining building permits for Single Family Detached Units ranging from 2,250 to 2,499 square feet, and the Annual Maximum Special Tax of \$398 per unit increases at 2% per year commencing in Fiscal Year 1998/99 and each Fiscal Year thereafter, the following would apply:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Estimated Building Permits from Step 1:		
7/1/98 to 6/30/99	200	0
7/1/99 to 6/30/00	<u>0</u>	<u>175</u>
Cumulative Building Permits	<u>200</u>	<u>375</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$414</u>	<u>\$422</u>
Total Estimated Special Tax Revenues From Step 2	<u>\$82,800</u>	<u>\$158,250</u>

Step 3: Commencing on July 10 after the end of the first Fiscal Year in Step 1, and on each July 10 thereafter, the District shall determine: (i) the actual number of new building permits that were prepaid in full or part as provided for in Section VII., and (ii) the actual number of new building permits that were obtained since the beginning of the first Fiscal Year in Step 1. The School District shall assign each actual building permit, related building square footage, and unit type to the applicable category in Table 1 to determine total actual Special Tax revenues to be entered on the tax roll as Developed Property in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the same assumptions in Step 2 above, except the actual number of building permits are different than the estimated building permits and 25 of the 375 building permits were prepaid in full on November 1, 1998, as follows:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Actual Building Permits from Step 3:		
7/1/98 to 6/30/99	175	0
7/1/99 to 6/30/00	<u>0</u>	<u>200</u>
Cumulative Building Permits	<u>175</u>	<u>375</u>
Less: Cumulative Building Permits Prepaid in Full	<u>(25)</u>	<u>(25)</u>
Cumulative Building Permits Subject to the Annual Maximum Special Tax	<u>150</u>	<u>350</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$414</u>	<u>\$422</u>
Total Actual Special Tax Revenues from Step 3	<u>\$62,100</u>	<u>\$147,700</u>

Step 4: The District shall compare the total estimated Special Tax revenues in Step 2 to the total actual Special Tax revenues in Step 3. Prior to performing this comparison, the School District shall determine if any building permits were prepaid in full or part as provided for in Section VII. and, if so, shall provide a credit against the total estimated Special Tax revenues in Step 2 in an amount equal to the actual number of building permits that were prepaid multiplied by their applicable Annual Maximum Special Tax.

If the amount in Step 3 is equal to or greater than the amount in Step 2, the CFD shall have no authority to levy the Undeveloped Property Shortfall Tax per Acre. If the amount in Step 3 is less than the amount in Step 2, the School District shall compute the difference, and Step 5 would apply.

Example:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Total Estimated Special Tax Revenues (Step 2)	\$82,800	\$158,250
Less: Prepayments (25 units x \$398/unit increasing at 2% per year)	<u>(10,350)</u>	<u>(10,550)</u>
Total Estimated Special Tax Revenues (Adjusted)	<u>72,450</u>	<u>147,700</u>
Total Actual Special Tax Revenues (Step 3)	<u>62,100</u>	<u>147,700</u>
Total Undeveloped Property Shortfall Tax	<u>\$10,350</u>	<u>\$0</u>

Step 5: Prior to July 25 of each Fiscal Year in which an Undeveloped Property Shortfall Tax applies pursuant to Step 4, the Owner, or Owner's designee, shall have the option of advancing cash to the CFD in lieu of the School District levying an Undeveloped Property Shortfall Tax per

Acre on the tax rolls. If the Owner, or Owner's designee, does not provide the cash advance prior to the date described above, the District shall levy the Undeveloped Property Shortfall Tax per Acre on all Undeveloped Property by dividing the amount determined in Step 4 by the total Acres. The amount determined herein shall be the "Undeveloped Property Shortfall Tax per Acre to be applied in Section IV.

VI. EXEMPTIONS:

The Board shall not levy a Special Tax on i) Assessor's Parcels owned by the State of California, federal or other local governments, except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Act, ii) Assessor's Parcels of Commercial/ Industrial Property, and iii) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VII. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property or land in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

- A. At the time of issuance of a building permit for a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or Age Restricted Unit, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, and the paragraphs that follow Table 2.

Table 2

Land Use Category	Land Use Designation	House Square Footage	Prepayment Amount Per Unit (1997/98)	Prepayment Amount Per Unit (1997/98)
1	Single Family Detached Unit	3,000 sqft & above	\$5,787	N/A
2	Single Family Detached Unit	2,500 - 2,999 sqft	4,676	N/A
3	Single Family Detached Unit	2,250 - 2,499	4,338	N/A
4	Single Family Detached Unit	2,000 - 2,249	4,109	N/A
5	Single Family Detached Unit	1,750 - 1,999	3,738	N/A
6	Single Family Detached Unit	Less than 1,750 sqft	3,531	N/A
7	Multi-Family Unit	1,500 sqft & above	3,248 (1)	4,011 (2)
8	Multi-Family Unit	1,300 - 1,499 sqft	3,019 (1)	3,782 (2)
9	Multi-Family Unit	1,000 - 1,299 sqft	2,692 (1)	3,455 (2)
10	Multi-Family Unit	Less than 1,000 sqft	2,354 (1)	3,117 (2)
11	Apartment Unit	N/A	3,890	N/A
12	Age-Restricted Unit	N/A	648	N/A

- (1) Represents the prepayment amount per unit applicable to the first 886 Multi-Family Units for which building permits have been issued in the CFD.
- (2) Represents the prepayment amount per unit applicable to all Multi-family Units for which a building permit has been issued in excess of the first 886 Multi-family Units which have obtained building permits in the CFD.

In determining the prepayment amount applicable to a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or Age-Restricted Unit for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

- B. After a building permit has been issued for a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or an Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:

1. Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property.
2. Add the sum of the following to the amount determined in the preceding paragraph:
 - i. Unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll;

VIII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

IX. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VII. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

X. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will communicate the findings of the Appeals Panel. If the findings of the Appeals Panel verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these proceedings so long as such interpretations are consistent with that certain Agreement made as of October 16, 1997 between the School District and Pardee Construction Company.

SWEETWATER UNION HIGH SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 9B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 9B (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property and Undeveloped Property, as described below. All Developed Property and Undeveloped Property within the CFD, unless exempted by law or the provisions of Section VI below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the latest San Diego County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, the determination of the acreage shall be made by the City Engineer.

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. and IV. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year, and on each Assessor's Parcel classified as Undeveloped Property for a period not to exceed the term of any Bonds which may be secured by such Undeveloped Property.

“Annual Special Tax Requirement” means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii) Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

“Apartment Unit” means a Residential Dwelling Unit which is an apartment unit available for rental, and not purchase, by the general public and not subject to a condominium map.

“Assessor’s Parcel” means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

“Board” means the Board of Trustees of the Sweetwater Union High School District.

“Bonds” means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

“CFD” means Community Facilities District No. 9B of the School District.

“Commercial/Industrial/Other Property” means property zoned for commercial/industrial use or any other uses, other than uses associated with a Residential Dwelling Unit or an Age-Restricted Unit.

“Cost Index” means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit was issued to permit the construction of a Residential Dwelling Unit or Age-Restricted Unit on or before June 30 of the preceding Fiscal Year.

“Facilities” means the school facilities designated in the CFD Special Tax Report approved by the Board.

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

“House Square Footage” means the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor’s Parcel of Developed Property.

“Land Use Category” means the classification of a Residential Dwelling Unit or Age-Restricted Unit based on the applicable definitions in Section I.

“Owner” means The Otay Ranch Company, or its designee.

“Residential Dwelling Unit” means any residential dwelling unit, except for an Age-Restricted Unit, constructed or to be constructed for habitable living purposes.

“Special Tax” means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

“Taxable Property” means all Assessor’s Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section VI below.

“Undeveloped Property” means all Taxable Property that is not classified as Developed Property.

“Undeveloped Property Shortfall Tax per Acre” means a Special Tax that may be levied on Undeveloped Property pursuant to Section IV herein.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1997, each Assessor’s Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category based on its land use designation and House Square Footage as provided for in Table 1 below.

III. ANNUAL MAXIMUM SPECIAL TAX:

A. Developed Property

The Annual Maximum Special Tax for any Assessor’s Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1997/98 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>House Square Footage</u>	<u>Annual Maximum Special Tax (1997/98)</u>	<u>Annual Maximum Special Tax (1997/98)</u>
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1	Single Family Detached Unit	3,000 sqft & above	\$255	N/A
2	Single Family Detached Unit	2,500 - 2999 sqft	206	N/A
3	Single Family Detached Unit	2,250 - 2,499	191	N/A
4	Single Family Detached Unit	2,000 - 2,249	181	N/A
5	Single Family Detached Unit	1,750 - 1,999	173	N/A
6	Single Family Detached Unit	Less than 1,750 sqft	163	N/A
7	Multi-Family Unit	1,500 sqft & above	150 (1)	182 (2)
8	Multi-Family Unit	1,300 - 1,499 sqft	139 (1)	171 (2)
9	Multi-Family Unit	1,000 - 1,299 sqft	124 (1)	153 (2)
10	Multi-Family Unit	Less than 1,000 sqft	109 (1)	141 (2)
11	Apartment Unit	N/A	164	N/A
12	Age-Restricted Unit	N/A	27	N/A

(1) Represents the Annual maximum Special Tax Rates applicable to the first 886 Multi-Family Units classified as Developed Property in the CFD.

(2) Represents the Annual Maximum Special Tax rates applicable to all Multi-Family Units classified as Developed Property in excess of the first 886 Multi-family Units classified as Developed Property in the CFD.

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property for the 1998/99 Fiscal Year and each Fiscal Year thereafter, the Annual Maximum Special Tax for each Land Use Category shall be increased by the greater of i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

B. Undeveloped Property

The School District may levy a Special Tax on Undeveloped Property based on the criteria described in Sections IV. and V. The Annual Maximum Special Tax for an Assessor's Parcel classified as Undeveloped Property for the Fiscal Year 1997/98 shall be \$1,100 per Acre. In determining the Annual Maximum Special Tax per Acre for an Assessor's Parcel classified as Undeveloped Property for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax per Acre shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent.

IV. METHOD OF APPORTIONMENT OF THE SPECIAL TAX:

Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the Board shall levy the Special Tax in the following order of priority:

First, on each Assessor's Parcel of Developed Property, up to the Annual Maximum Special Tax applicable to Developed Property, to fund the Annual Special Tax Requirement; and,

Second, on each Assessor's Parcel of Undeveloped Property in an amount equal to the lesser of the: i) the Annual Maximum Special Tax per Acre applicable to Undeveloped Property pursuant to Section III, or ii) the Undeveloped Property Shortfall Tax per Acre calculated pursuant to Section V.

V. CALCULATION OF THE UNDEVELOPED PROPERTY SHORTFALL TAX PER ACRE:

The School District plans to issue Bonds in series or increments over time. Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the School District shall calculate the Undeveloped Property Shortfall Tax per Acre, if any, based on the following steps:

Step 1: Prior to each Bond issue date, the Owner shall in its sole discretion provide the School District an estimate of the number of building permits, related building square footages, and unit type anticipated to be obtained over the next two (2) Fiscal Years immediately following the Fiscal Year in which Bonds are issued.

Step 2: The School District shall assign each estimated building permit, related building square footage, as provided in Step 1, to the applicable category in Table 1 to determine total estimated Special Tax revenues anticipated to be produced in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the School District issues Bonds on March 1, 1998, the Owner solely anticipates obtaining building permits for Single Family Detached Units ranging from 2,250 to 2,499 square feet, and the Annual Maximum Special Tax of \$191 per unit increases at 2% per year commencing in Fiscal Year 1998/99 and each Fiscal Year thereafter, the following would apply:

Initial Fiscal Year:

1999/00

2000/01

Estimated Building Permits from Step 1:

7/1/98 to 6/30/99	200	0
7/1/99 to 6/30/00	<u>0</u>	<u>175</u>
Cumulative Building Permits	<u>200</u>	<u>203</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$199</u>	<u>\$203</u>

Total Estimated Special Tax Revenues From Step 2	<u>\$39,800</u>	<u>\$76,125</u>
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Step 3: Commencing on July 10 after the end of the first Fiscal Year in Step 1, and on each July 10 thereafter, the District shall determine: (i) the actual number of new building permits that were prepaid in full or part as provided for in Section VII., and (ii) the actual number of new building permits that were obtained since the beginning of the first Fiscal Year in Step 1. The School District shall assign each actual building permit, related building square footage, and unit type to the applicable category in Table 1 to determine total actual Special Tax revenues to be entered on the tax roll as Developed Property in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the same assumptions in Step 2 above, except the actual number of building permits are different than the estimated building permits and 25 of the 375 building permits were prepaid in full on November 1, 1998, as follows:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Actual Building Permits from Step 3:		
7/1/98 to 6/30/99	175	0
7/1/99 to 6/30/00	<u>0</u>	<u>200</u>
Cumulative Building Permits	<u>175</u>	<u>375</u>
Less: Cumulative Building Permits Prepaid in Full	<u>(25)</u>	<u>(25)</u>

Cumulative Building Permits Subject to the Annual Maximum Special Tax	<u>150</u>	<u>350</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$199</u>	<u>\$203</u>
Total Actual Special Tax Revenues from Step 3	<u>\$29,850</u>	<u>\$71,050</u>

Step 4: The District shall compare the total estimated Special Tax revenues in Step 2 to the total actual Special Tax revenues in Step 3. Prior to performing this comparison, the School District shall determine if any building permits were prepaid in full or part as provided for in Section VII. and, if so, shall provide a credit against the total estimated Special Tax revenues in Step 2 in an amount equal to the actual number of building permits that were prepaid multiplied by their applicable Annual Maximum Special Tax.

If the amount in Step 3 is equal to or greater than the amount in Step 2, the CFD shall have no authority to levy the Undeveloped Property Shortfall Tax per Acre. If the amount in Step 3 is less than the amount in Step 2, the School District shall compute the difference, and Step 5 would apply.

Example:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Total Estimated Special Tax Revenues (Step 2)	\$39,800	\$76,125
Less: Prepayments (25 units x \$398/unit increasing at 2% per year)	<u>(4,975)</u>	<u>(5,075)</u>

Total Estimated Special Tax Revenues (Adjusted)	<u>34,825</u>	<u>71,050</u>
Total Actual Special Tax Revenues (Step 3)	<u>29,850</u>	<u>71,050</u>
Total Undeveloped Property Shortfall Tax	<u>\$4,975</u>	<u>\$0</u>

Step 5: Prior to July 25 of each Fiscal Year in which an Undeveloped Property Shortfall Tax applies pursuant to Step 4, the Owner, or Owner’s designee, shall have the option of advancing cash to the CFD in lieu of the School District levying an Undeveloped Property Shortfall Tax per Acre on the tax rolls. If the Owner, or Owner’s designee, does not provide the cash advance prior to the date described above, the District shall levy the Undeveloped Property Shortfall Tax per Acre on all Undeveloped Property by dividing the amount determined in Step 4 by the total Acres. The amount determined herein shall be the “Undeveloped Property Shortfall Tax per Acre to be applied in Section IV.

VI. EXEMPTIONS:

The Board shall not levy a Special Tax on i) Assessor’s Parcels owned by the State of California, federal or other local governments, except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Act, ii) Assessor’s Parcels of Commercial/ Industrial Property, and iii) Assessor’s Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VII. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property or land in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

A. At the time of issuance of a building permit for a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or Age Restricted Unit, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, and the paragraphs that follow Table 2.

Table 2

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>House Square Footage</u>	<u>Prepayment Amount Per Unit (1997/98)</u>	<u>Prepayment Amount Per Unit (1997/98)</u>
1	Single Family Detached	3,000 sqft & above	\$2,778	N/A
2	Single Family Detached	2,500 - 2999 sqft	2,244	N/A
3	Single Family Detached	2,250 - 2,499	2,081	N/A
4	Single Family Detached	2,000 - 2,249	1,972	N/A
5	Single Family Detached	1,750 - 1,999	1,885	N/A
6	Single Family Detached	Less than 1,750 sqft	1,776	N/A
7	Multi-Family Unit	1,500 sqft & above	1,634 (1)	1,983 (2)
8	Multi-Family Unit	1,300 - 1,499 sqft	1,514 (1)	1,863 (2)
9	Multi-Family Unit	1,000 - 1,299 sqft	1,351 (1)	1,700 (2)
10	Multi-Family Unit	Less than 1,000 sqft	1,187 (1)	1,536 (2)
11	Apartment Unit	N/A	1,790	N/A
12	Age-Restricted Unit	N/A	298	N/A

- (1) Represents the prepayment amount per unit applicable to the first 886 Multi-Family Units for which building permits have been issued in the CFD.
- (2) Represents the prepayment amount per unit applicable to all Multi-family Units for which a building permit has been issued in excess of the first 886 Multi-family Units which have obtained building permits in the CFD.

In determining the prepayment amount applicable to a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or Age-Restricted Unit for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

- B. After a building permit has been issued for a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or an Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:
1. Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property.
 2. Add the sum of the following to the amount determined in the preceding paragraph:

- i. Unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll;

VIII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

IX. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VII. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

X. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will communicate the findings of the Appeals Panel. If the findings of the Appeals Panel verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these proceedings so long as such interpretations are consistent with that certain Agreement made as of October 16, 1997 between the School District and Pardee Construction Company.

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
COMMUNITY FACILITIES DISTRICT NO. 10
SWEETWATER UNION HIGH SCHOOL DISTRICT**

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 10 (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property, as described below. All Developed Property within the CFD, unless exempted by law or the provisions of Section V below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii) Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

"Apartment Unit" means an apartment unit available for rental, and not purchase, by the general public and not subject to a condominium map.

"Assessor's Parcel" means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

"Board" means the Board of Trustees of the Sweetwater Union High School District.

"Bonds" means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

"CFD" means Community Facilities District No. 10 of the School District.

"Commercial/Industrial Property" means property zoned for commercial/industrial use or any other uses, other than uses associated with a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or an Age-Restricted Unit.

"Cost Index" means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit was issued to permit the construction of a Single Family Detached Unit(s), Multi-Family Unit(s), Apartment Unit(s), or Age-Restricted Unit(s) on or before June 30 of the next Fiscal Year.

“Facilities” means the prioritized school facilities designated in the CFD Special Tax Report approved by the Board.

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

“House Square Footage” means the livable area of improvement of a residential dwelling unit as shown on the most recent building permit issued for such dwelling unit.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor's Parcel of Developed Property.

“Land Use Category” means the classification of a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, or Age-Restricted Unit based on its applicable House Square Footage.

“Multi-Family Unit” means more than one for-sale residential dwelling unit on a fee simple lot, a condominium unit, townhome unit, or duplex unit.

“Single-Family Detached Unit” means a single for-sale residential dwelling unit on a fee simple lot.

“Special Tax” means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

“Taxable Property” means all Assessor’s Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section V below.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1998, each Assessor’s Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category based on its land use designation as provided for in Table 1 below:

**TABLE 1
SPECIAL TAX FOR FY 1997/98**

<u>Land Use Category</u>	<u>Land Use Designation</u>	Special Tax Per Square Foot *	
		<u>Zone A</u>	<u>Zone B</u>
1	Single-Family Dwelling Unit	\$0.336	\$0.230
2	Multi-Family Dwelling Unit	\$0.302	\$0.207
3	Apartment	\$0.202	\$0.138
4	Age-Restricted Dwelling Unit	\$0.056	\$0.038
5	Commercial/Industrial Development	\$0.056	\$0.038

(*) *House Square Footage for Land Use Categories 1-4; Gross Square Footage of building for Land Use Category 5.*

III. ANNUAL MAXIMUM SPECIAL TAX:

The Annual Maximum Special Tax for any Assessor's Parcel classified as Developed Property shall be determined by reference to Table 1, attached, for the 1997/98 Fiscal Year, and the following paragraphs:

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax for each Land Use Category shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent.

V. EXEMPTIONS:

The Board shall not levy a Special Tax on: i) Assessor's Parcels owned by the State of California, federal or other local governments, except as otherwise provided in Sections 53317.3, 53317.5 and 53340.1 of the Act, and ii) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VI. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

- A. At the time of issuance of a building permit for a Single Family Detached Unit, Multi-Family Unit, Apartment Unit, Age-Restricted Unit Commercial/Industrial Property, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, attached, and the following paragraphs:

In determining the prepayment amount applicable for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

- B. After a building permit has been issued the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:

Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the lesser of the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property: plus. unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll.

**TABLE 2
PREPAYMENT AT BUILDING PERMIT ISSUE FOR FY 1997/98**

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Special Tax Per Square Foot *</u>	
		<u>Zone A</u>	<u>Zone B</u>
1	Single-Family Dwelling Unit	\$3.150	\$2.156
2	Multi-Family Dwelling Unit	\$2.835	\$1.941
3	Apartment	\$1.890	\$1.294
4	Age-Restricted Dwelling Unit	\$0.525	\$0.359
5	Commercial/Industrial Development	\$0.525	\$0.359

(*) House Square Footage for Land Use Categories 1-4; Gross Square Footage of building for Land Use Category 5.

VII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

VIII. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VI. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

IX. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will then meet with the applicant. If the findings of the Appeals Board verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these proceedings.

X. BOND AUTHORIZATION

The maximum amount of bonds authorized to be issued by this CFD is \$250,000,000.

Exhibit A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX COMMUNITY FACILITIES DISTRICT NO. 11 (SPA 1 AND 2) SWEETWATER UNION HIGH SCHOOL DISTRICT

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 11 (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property and Undeveloped Property, as described below. All Developed Property and Undeveloped Property within the CFD, unless exempted by law or the provisions of Section VI below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the latest San Diego County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, the determination of the acreage shall be made by the School District.

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. and IV. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year, and on each Assessor's Parcel classified as Undeveloped Property for a period not to exceed the term of any Bonds which may be secured by such Undeveloped Property.

“Annual Special Tax Requirement” means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii) Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

“Apartment Unit” means a Residential Dwelling Unit which is an apartment unit available for rental, and not purchase, by the general public and not subject to a condominium map.

“Assessor’s Parcel” means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

“Board” means the Board of Trustees of the Sweetwater Union High School District.

“Bonds” means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

“CFD” means Community Facilities District No. 11 of the School District.

“Commercial/Industrial/Other Property” means property zoned for commercial/industrial use or any other uses, other than uses associated with a Residential Dwelling Unit or an Age-Restricted Unit.

“Cost Index” means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

“Developed Property” means all Assessor’s Parcels of Taxable Property for which a building permit was issued to permit the construction of a Residential Dwelling Unit or Age-Restricted Unit on or before June 30 of the next Fiscal Year.

“Facilities” means the school facilities designated in the CFD Special Tax Report approved by the Board.

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

“House Square Footage” means the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

“Initial Fiscal Year” applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor's Parcel of Developed Property.

“Land Use Category” means the classification of a Residential Dwelling Unit or Age-Restricted Unit based on the applicable definitions in Section I.

“Owner” means McMillin Communities, or its designee.

“Residential Dwelling Unit” means any residential dwelling unit, except for an Age-Restricted Unit, constructed or to be constructed for habitable living purposes.

“SPA 1” means a geographical area within the CFD known as Sectional Plan Area 1.

“SPA 2” means a geographical area within the CFD known as Sectional Plan Area 2.

“Special Tax” means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

“Taxable Property” means all Assessor’s Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section VI below.

“Undeveloped Property” means all Taxable Property that is not classified as Developed Property.

“Undeveloped Property Shortfall Tax per Acre” means a Special Tax that may be levied on Undeveloped Property pursuant to Section IV herein.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1997, each Assessor’s Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category as provided for in Table 1 below.

III. ANNUAL MAXIMUM SPECIAL TAX:

A. Developed Property

The Annual Maximum Special Tax for any Assessor’s Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1997/98 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Annual Maximum Special Tax (1997/98)</u>
1	Residential Dwelling Unit	\$.2915 multiplied by House Square Footage
2	Age-Restricted Unit	\$.0490 multiplied by House Square Footage

The Annual Maximum Special Tax rate noted in Table 1 above has been established on the basis that 578 Apartment Units will ultimately be classified as Developed Property. In the event that more than 578 Apartment units are ultimately classified as Developed Property, each Apartment Unit in excess of 578 Apartment Units shall have an Annual Maximum Special Tax of \$521 per

Apartment Unit in lieu of the Residential Dwelling Unit rate described in Table 1 for the 1997/98 Fiscal Year.

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property in its Initial Fiscal Year the Annual Maximum Special Tax for each Land Use Category in Table 1 shall be increased in the 1998/99 Fiscal Year, and each Fiscal Year thereafter, by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

B. UNDEVELOPED PROPERTY

The School District may levy a Special Tax on Undeveloped Property based on the criteria described in Sections IV. and V. The Annual Maximum Special Tax for an Assessor's Parcel classified as Undeveloped Property for the Fiscal Year 1997/98 shall be \$3,593 per Acre. In determining the Annual Maximum Special Tax per Acre for an Assessor's Parcel classified as Undeveloped Property for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax per Acre shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent.

IV. METHOD OF APPORTIONMENT OF THE SPECIAL TAX:

Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the Board shall levy the Special Tax in the following order of priority:

First, on each Assessor's Parcel of Developed Property, up to the Annual Maximum Special Tax applicable to Developed Property, to fund the Annual Special Tax Requirement; and,

Second, on each Assessor's Parcel of Undeveloped Property in an amount equal to the lesser of the: i) the Annual Maximum Special Tax per Acre applicable to Undeveloped Property pursuant to Section III, or ii) the Undeveloped Property Shortfall Tax per Acre calculated pursuant to Section V.

V. CALCULATION OF THE UNDEVELOPED PROPERTY SHORTFALL TAX PER ACRE:

The School District plans to issue Bonds in series or increments over time. Commencing in Fiscal Year 1997/98, and each Fiscal Year thereafter, the School District shall calculate the Undeveloped Property Shortfall Tax per Acre, if any, based on the following steps:

Step 1: Prior to each Bond issue date, the Owner shall, in its sole discretion, provide the School District an estimate of the number of building permits, the related House Square Footage, and Land Use Category anticipated to be obtained over the next two (2) Fiscal Years immediately following the Fiscal Year in which Bonds are issued.

Step 2: The School District shall assign each estimated building permit, related House Square Footage, as provided in Step 1, to the applicable Land Use Category in Table 1 to determine total estimated Special Tax revenues anticipated to be produced in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the School District issues Bonds on March 1, 1998, the Owner reasonably anticipates obtaining building permits for Residential Dwelling Units that all have a House Square Footage of 1,600 square feet, and the Annual Maximum Special Tax of \$466.40 per unit (i.e., \$.2915 x 1,600 square feet) increases at 2% per year commencing in Fiscal Year 1998/99 and each Fiscal Year thereafter, the following would apply:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Estimated Building Permits from Step 1:		
7/1/98 to 6/30/99	200	0
7/1/99 to 6/30/00	<u>0</u>	<u>175</u>
Cumulative Building Permits	<u>200</u>	<u>375</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$485.24</u>	<u>\$494.95</u>
Total Estimated Special Tax Revenues From Step 2	<u>\$97,049</u>	<u>\$185,605</u>

Step 3: Commencing on July 10 after the end of the first Fiscal Year in Step 1, and on each July 10 thereafter, the District shall determine: (i) the actual number of new building permits that were prepaid in full or part as provided for in Section VII., and (ii) the actual number of new building permits that were obtained since the beginning of the first Fiscal Year in Step 1. The School District shall assign each actual building permit, and the actual House Square Footage to the applicable Land Use Category in Table 1 to determine total actual Special Tax revenues to be entered on the tax roll as Developed Property in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the same assumptions in Step 2 above, except the actual number of building permits are different than the estimated building permits and 25 of the 375 building permits were prepaid in full on November 1, 1998, as follows:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Actual Building Permits from Step 3:		
7/1/98 to 6/30/99	175	0
7/1/99 to 6/30/00	<u>0</u>	<u>200</u>
Cumulative Building Permits	<u>175</u>	<u>375</u>
Less: Cumulative Building Permits Prepaid in Full	<u>(25)</u>	<u>(25)</u>
Cumulative Building Permits Subject to the Annual Maximum Special Tax	<u>150</u>	<u>350</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$485.24</u>	<u>\$494.95</u>
Total Actual Special Tax Revenues from Step 3	<u>\$72,786</u>	<u>\$173,232</u>

Step 4: The District shall compare the total estimated Special Tax revenues in Step 2 to the total actual Special Tax revenues in Step 3. Prior to performing this comparison, the School District shall determine if any building permits were prepaid in full or part as provided for in Section VII. and, if so, shall provide a credit against the total estimated Special Tax revenues in Step 2 in an amount equal to the actual number of building permits that were prepaid multiplied by their applicable Annual Maximum Special Tax.

If the amount in Step 3 is equal to or greater than the amount in Step 2, the CFD shall have no authority to levy the Undeveloped Property Shortfall Tax per Acre. If the amount in Step 3 is less than the amount in Step 2, the School District shall compute the difference, and Step 5 would apply.

Example:

Initial Fiscal Year:	<u>1999/00</u>	<u>2000/01</u>
Total Estimated Special Tax Revenues (Step 2)	\$97,049	\$185,605
Less: Prepayments (25 units x \$466.40/unit increasing at 2% per year)	<u>(12,132)</u>	<u>(12,373)</u>
Total Estimated Special Tax Revenues (Adjusted)	<u>84,917</u>	<u>173,232</u>
Total Actual Special Tax Revenues (Step 3)	<u>72,786</u>	<u>173,232</u>
Total Undeveloped Property Shortfall Tax	<u>\$12,131</u>	<u>\$0</u>

Step 5: Prior to levying an Undeveloped Property Shortfall Tax per Acre on the tax rolls the School District shall take into account and reduce such

levy by the amount of any available funds of the CFD. The District shall levy the Undeveloped Property Shortfall Tax per Acre prior to the first recorded parcel map or tract map in SPA 2 on all Undeveloped Property in SPA 1 by dividing the amount determined in Step 4 (less any available funds of the CFD) by the total Acres in SPA 1, and after the first recorded parcel map or tract map in SPA 2 on all Undeveloped Property in the CFD by dividing the amount determined in Step 4 (less any available funds of the CFD) by the total Acres in the CFD. The amount determined herein shall be the “Undeveloped Property Shortfall Tax per Acre to be applied in Section IV.

VI. EXEMPTIONS:

The Board shall not levy a Special Tax on: i) Assessor’s Parcels of property existing at the time of the establishment of the CFD which will be conveyed, dedicated, or irrevocably offered for dedication to a public agency pursuant to the City of Chula Vista Sectional Plan, including property owned by a public agency which is in public use; property which is utilized for public utility purposes and not occupied on a regular basis by employees of the utility; property irrevocably dedicated to a public agency for public use; property owned by a church and utilized for church purposes; property owned by a homeowner’s association; property which is zoned for open space; property used as a golf course other than clubhouse facilities; and property which has no intrinsic value upon foreclosure, such as sliver parcels at entries and perimeter landscape parcels, ii) Assessor’s Parcels of Commercial/Industrial/Other Property, and iii) Assessor’s Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VII. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property or land in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

- A. At the time of issuance of a building permit for a Residential Dwelling Unit or Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, and the paragraphs that follow Table 2.

Table 2

Land Use Category	Land Use Designation	Prepayment Amount (1997/98)
1	Residential Dwelling Unit	\$3.1805 multiplied by House Square Footage
2	Age-Restricted Unit	\$0.5343 multiplied by House Square Footage

The Prepayment Amount noted in Table 2 above has been established on the basis that 578 Apartment Units will ultimately be classified as Developed Property. In the event that more than 578 Apartment Units are ultimately classified as Developed Property, each Apartment Unit in excess of 578 Apartment Units shall pay a prepayment amount of \$5,680 per Apartment Unit in lieu of the Residential Dwelling Unit rate described in Table 2 for the 1997/98 Fiscal Year.

In determining the prepayment amount applicable to a Residential Dwelling Unit or Age-Restricted Unit for the 1998/99 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 1998, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

- B. After a building permit has been issued for a Residential Dwelling Unit or an Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:
 1. Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property.
 2. Add the sum of the following to the amount determined in the preceding paragraph:
 - i. Unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll;

VIII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

IX. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VII. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

X. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will then communicate the findings of the Appeals Panel. If the findings of the Appeals Panel verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted. The time period used for calculating a refund will be limited to three years preceding the appeal.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these proceedings so long as such interpretations are consistent with that certain Agreement made as of July 10, 1998, between the School District and the Owner.

**RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX
COMMUNITY FACILITIES DISTRICT NO. 12
SWEETWATER UNION HIGH SCHOOL DISTRICT**

This Rate and Method of Apportionment of Special Tax sets forth the Special Tax applicable to each Assessor's Parcel within Community Facilities District No. 12 (the "CFD") of the Sweetwater Union High School District ("School District") to be apportioned, levied and collected according to the Special Tax liability determined by the Board of Trustees of the School District, acting as the Legislative Body of the CFD. The applicable Annual Maximum Special Tax shall be determined pursuant to the application of the appropriate amount or rate for Developed Property and Undeveloped Property, as described below. All Developed Property and Undeveloped Property within the CFD, unless exempted by law or the provisions of Section VI below, shall be subject to the applicable Annual Maximum Special Tax levied and collected to the extent and in the manner hereinafter provided in each Fiscal Year.

I. DEFINITIONS:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the latest San Diego County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, the determination of the acreage shall be made by the School District.

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

"Administrative Expense" means any cost incurred by the School District on behalf of the CFD related to the determination of the amount of the annual levy of the Special Tax, the collection of the Special Tax, the administration of the Bonds of the CFD, and the other costs incurred in order to carry out the authorized purposes of the CFD.

"Age-Restricted Unit" means a residential dwelling unit restricted for the use consistent with the provisions of Section 65995.1 of the Government Code or subsequent successor statutory provisions.

"Annual Maximum Special Tax" means the maximum Special Tax that may be levied in each Fiscal Year pursuant to Sections III. and IV. on each Assessor's Parcel classified as Developed Property for a period not to exceed 25 years from the beginning of the Initial Fiscal Year, and on each Assessor's Parcel classified as Undeveloped Property for a period not to exceed the term of any Bonds which may be secured by such Undeveloped Property.

"Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay for: i) the debt service on all outstanding Bonds, ii) a sinking fund for the acquisition, construction, equipment and finance costs of future Facilities, iii) Administrative Expense, iv) any amount required to establish or replenish any reserve funds established in connection with the Bonds, and v) any other payments permitted by law.

"Assessor's Parcel" means a parcel of land as designated on a map of the San Diego County Assessor and which has been assigned a discrete identifying parcel number.

"Board" means the Board of Trustees of the Sweetwater Union High School District.

"Bonds" means the bonds or other debt obligations (as defined in Section 53317(d) of the Act), including, but not limited to certificates of participation or leases, of the CFD issued and sold to finance the Facilities.

"CFD" means Community Facilities District No. 12 of the School District.

"Commercial/Industrial/Other Property" means property zoned for commercial/ industrial use or any other uses, other than uses associated with a Residential Dwelling Unit or an Age-Restricted Unit.

"Cost Index" means the applicable building cost index for the City of Los Angeles as set forth in the Engineering News Record, McGraw-Hill Construction Weekly, or if not available, the School District shall determine a suitable replacement.

"Developed Property" means all Assessor's Parcels of Taxable Property for which a building permit was issued to permit the construction of a Residential Dwelling Unit or Age-Restricted Unit on or before June 30 of the preceding Fiscal Year.

"Facilities" means the school facilities designated in the CFD Special Tax Report approved by the Board.

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

"House Square Footage" means the livable area of improvement exclusive of garage area or carport area of a Residential Dwelling Unit or Age Restricted Unit as shown on the most recent building permit issued for such dwelling unit.

"Initial Fiscal Year" applies only to Developed Property and means the first Fiscal Year in which the Annual Maximum Special Tax will be apportioned and levied on an Assessor's Parcel of Developed Property.

"Land Use Category" means the classification of a Residential Dwelling Unit or Age-Restricted Unit based on the applicable definitions in Section I.

"Owner" means The Otay Ranch Company, or its designee.

"Residential Dwelling Unit" means any residential dwelling unit, except for an Age-Restricted Unit, constructed or to be constructed for habitable living purposes.

"Special Tax" means the amount of special taxes to be levied on Developed Property and Undeveloped Property in any Fiscal Year, as determined pursuant to Section IV. below.

"Taxable Property" means all Assessor's Parcels within the CFD which are not exempt from the levy of Special Tax pursuant to Section VI below.

"Undeveloped Property" means all Taxable Property that is not classified as Developed Property.

"Undeveloped Property Shortfall Tax per Acre" means a Special Tax that may be levied on Undeveloped Property pursuant to Section IV herein.

II. ASSIGNMENT TO LAND USE CATEGORIES:

On July 1 of each Fiscal Year, beginning on July 1, 1999, each Assessor's Parcel shall be categorized as Developed Property or Undeveloped Property. Developed Property shall be assigned to a Land Use Category as provided for in Table 1 below.

III. ANNUAL MAXIMUM SPECIAL TAX:

A. DEVELOPED PROPERTY

The Annual Maximum Special Tax for any Assessor's Parcel classified as Developed Property shall be determined by reference to Table 1 for the 1999/00 Fiscal Year, and the paragraphs that follow Table 1.

Table 1

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Annual Maximum Special Tax (1999/00)</u>
1	Residential Dwelling Unit	\$.2409 multiplied by House Square Footage
2	Age-Restricted Unit	\$.0405 multiplied by House Square Footage

In determining the Annual Maximum Special Tax applicable to an Assessor's Parcel of Developed Property in its Initial Fiscal Year, the Annual Maximum Special Tax for each Land Use Category in Table 1 shall be increased in the 2000/01 Fiscal Year, and each Fiscal Year thereafter, by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 2000, or ii) two (2) percent per Fiscal Year.

In each Fiscal Year following the Initial Fiscal Year for an Assessor's Parcel of Developed Property, the Annual Maximum Special Tax applicable to that parcel shall be determined by increasing the prior year Annual Maximum Special Tax by two (2) percent per Fiscal Year.

B. Undeveloped Property

The School District may levy a Special Tax on Undeveloped Property based on the criteria described in Sections IV. and V. The Annual Maximum Special Tax for an Assessor's Parcel classified as Undeveloped Property for the Fiscal Year 1999/00 shall be \$2,119 per Acre. In determining the Annual Maximum Special Tax per Acre for an Assessor's Parcel classified as Undeveloped Property for the 2000/01 Fiscal Year, and each Fiscal Year thereafter, the Annual Maximum Special Tax per Acre shall be increased by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 2000, or ii) two (2) percent.

IV. METHOD OF APPORTIONMENT OF THE SPECIAL TAX:

Commencing in Fiscal Year 1999/00, and each Fiscal Year thereafter, the Board shall levy the Special Tax in the following order of priority:

First, on each Assessor's Parcel of Developed Property, up to the Annual Maximum Special Tax applicable to Developed Property, to fund the Annual Special Tax Requirement; and,

Second, on each Assessor's Parcel of Undeveloped Property in an amount equal to the lesser of the: i) the Annual Maximum Special Tax per Acre applicable to Undeveloped Property pursuant to Section III, or ii) the Undeveloped Property Shortfall Tax per Acre calculated pursuant to Section V.

V. CALCULATION OF THE UNDEVELOPED PROPERTY SHORTFALL TAX PER ACRE:

The School District plans to issue Bonds in series or increments over time. Commencing in Fiscal Year 1999/00, and each Fiscal Year thereafter, the School District shall calculate the Undeveloped Property Shortfall Tax per Acre, if any, based on the following steps:

Step 1: Prior to each Bond issue date, the Owner shall provide the School District a reasonable projection of the estimated number of building permits, the related House Square Footage, and Land Use Category anticipated to be obtained over the next two (2) Fiscal Years immediately following the Fiscal Year in which Bonds are issued.

Step 2: The School District shall assign each estimated building permit, related House Square Footage, as provided in Step 1, to the applicable Land Use Category in Table 1 to determine total estimated Special Tax revenues anticipated to be produced in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the School District issues Bonds on March 1, 2000, the Owner reasonably estimates obtaining building permits for Residential Dwelling Units that all have a House Square Footage of 2,546 square feet, and the Annual Maximum Special Tax of \$613.33 per unit (i.e., \$.2409 x 2,546 square feet) increases at 2% per year commencing in Fiscal Year 2000/01 and each Fiscal Year thereafter, the following would apply:

Initial Fiscal Year:	<u>2001/02</u>	<u>2002/03</u>
Estimated Building Permits from Step 1:		
7/1/00 to 6/30/01	200	0
7/1/01 to 6/30/02	<u>0</u>	<u>175</u>
Cumulative Building Permits	<u>200</u>	<u>375</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$638.11</u>	<u>\$650.87</u>
Total Estimated Special Tax Revenues From Step 2	<u>\$127,622</u>	<u>\$244,077</u>

Step 3: Commencing on July 10 after the end of the first Fiscal Year in Step 1, and on each July 10 thereafter, the District shall determine: (i) the actual number of new building permits that were prepaid in full or part as provided for in Section VII., and (ii) the actual number of new building permits that were obtained since the beginning of the first Fiscal Year in Step 1. The School District shall assign each actual building permit, and the actual House Square Footage to the applicable Land Use Category in Table 1 to determine total actual Special Tax revenues to be entered on the tax roll as Developed Property in the Initial Fiscal Year and each Fiscal Year thereafter.

Example:

Assuming the same assumptions in Step 2 above, except the actual number of building permits are different than the estimated building permits and 25 of the 375 building permits were prepaid in full on November 1, 2000, as follows:

Initial Fiscal Year:	<u>2001/02</u>	<u>2002/03</u>
Actual Building Permits from Step 3:		
7/1/00 to 6/30/01	175	0
7/1/01 to 6/30/02	<u>0</u>	<u>200</u>
Cumulative Building Permits	<u>175</u>	<u>375</u>
Less: Cumulative Building Permits Prepaid in Full	<u>(25)</u>	<u>(25)</u>
Cumulative Building Permits Subject to the Annual Maximum Special Tax	<u>150</u>	<u>350</u>
Annual Maximum Special Tax per Residential Dwelling Unit	<u>\$638.11</u>	<u>\$650.87</u>
Total Actual Special Tax Revenues from Step 3	<u>\$95,716</u>	<u>\$227,805</u>

Step 4: The District shall compare the total estimated Special Tax revenues in Step 2 to the total actual Special Tax revenues in Step 3. Prior to performing this comparison, the School District shall determine if any building permits were prepaid in full or part as provided for in Section VII. and, if so, shall provide a credit against the total estimated Special Tax revenues in Step 2 in an amount equal to the actual number of building permits that were prepaid multiplied by their applicable Annual Maximum Special Tax.

If the amount in Step 3 is equal to or greater than the amount in Step 2, the CFD shall have no authority to levy the Undeveloped Property Shortfall Tax per Acre. If the amount in Step 3 is less than the amount in Step 2, the School District shall compute the difference, and Step 5 would apply.

Example:

Initial Fiscal Year:	<u>2001/02</u>	<u>2002/03</u>
Total Estimated Special Tax Revenues (Step 2)	\$127,622	\$244,076
Less: Prepayments (25 units x \$613.33/unit increasing at 2% per year)	<u>(15,953)</u>	<u>(16,271)</u>
Total Estimated Special Tax Revenues (Adjusted)	<u>111,669</u>	<u>227,805</u>
Total Actual Special Tax Revenues (Step 3)	<u>95,716</u>	<u>227,805</u>
Total Undeveloped Property Shortfall Tax	<u>\$15,953</u>	<u>\$0</u>

Step 5: Prior to levying an Undeveloped Property Shortfall Tax per Acre on the tax rolls School District shall take into account and reduce such levy by the amount of any available funds of the CFD. The District shall levy the Undeveloped Property Shortfall Tax per Acre on all Undeveloped Property in the CFD by dividing the amount determined in Step 4 (less any available funds of the CFD) by the total Acres in the CFD.

VI. EXEMPTIONS:

The Board shall not levy a Special Tax on: i) Assessor's Parcels of property existing at the time of the establishment of the CFD which will be conveyed, dedicated, or irrevocably offered for dedication to a public agency pursuant to the City of Chula Vista Sectional Plan, including property owned by a public agency which is in public use; property which is utilized for public utility purposes and not occupied on a regular basis by employees of the utility; property irrevocably dedicated to a public agency for public use; property owned by a church and utilized for church purposes; property owned by a homeowner's association; property which is zoned for open space; property used as a golf course other than clubhouse facilities; and property which has no intrinsic value upon foreclosure, such as sliver parcels at entries and perimeter landscape parcels, ii) Assessor's Parcels of Commercial/Industrial/Other Property, and iii) Assessor's Parcels for which the Annual Maximum Special Tax has been fully discharged, as determined pursuant to Section VII.

VII. PREPAYMENT OF THE ANNUAL MAXIMUM SPECIAL TAX:

Any owner of property or land within the CFD may discharge the Annual Maximum Special Tax obligation applicable to such property or land in full or in part as provided for in Section A below, or in full as provided for in Section B below, by making cash payment as follows:

A. Calculation of the Prepayment Amount Prior to Building Permit Issuance

At the time of issuance of a building permit for a Residential Dwelling Unit or Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax in full by making a cash payment to the CFD determined by reference to Table 2, and the paragraphs that follow Table 2.

TABLE 2

<u>Land Use Category</u>	<u>Land Use Designation</u>	<u>Prepayment Amount (1999/00)</u>
1	Residential Dwelling Unit	\$2.6258 multiplied by House Square Footage
2	Age-Restricted Unit	\$0.4411 multiplied by House Square Footage

In determining the prepayment amount applicable to a Residential Dwelling Unit or Age-Restricted Unit for the 2000/01 Fiscal Year, and each Fiscal Year thereafter, the prepayment amount shall increase by the greater of: i) the annual percentage change in the Cost Index determined every May 31 for the prior twelve (12) month period, commencing on May 31, 2000, or ii) two (2) percent per Fiscal Year.

At the time of issuance of a building permit, the owner may alternatively discharge the Annual Maximum Special Tax in part by making a partial cash payment to the CFD which shall be determined by multiplying the applicable amount in Table 2 (as adjusted) by the owner's desired prepayment percentage. The Annual Maximum Special Tax applicable to an Assessor's Parcel utilizing a prepayment percentage less than 100% shall be reduced in the Fiscal Year following the date of prepayment, and for each Fiscal Year

thereafter, by multiplying the Assessor's Parcel's Annual Maximum Special Tax by the prepayment percentage actually used or applied. The Assessor's Parcel's revised Annual Maximum Special Tax described in this paragraph shall be used in calculations related to Section III.

B. Calculation of the Prepayment Amount After Building Permit Issuance

After a building permit has been issued for a Residential Dwelling Unit or an Age-Restricted Unit, the owner may discharge the Annual Maximum Special Tax obligation in full, at any time, by making the payment as follows:

1. Compute the present value of the Annual Maximum Special Tax applicable to Developed Property using a 7% coupon rate and a period equal to the remaining term for which the Annual Maximum Special Tax may be levied on such Developed Property.
2. Add the sum of the following to the amount determined in the preceding paragraph:
 - i. Unpaid Special Taxes, interest and penalties, if any, which have been entered on the assessor's tax roll;

VIII. MANNER OF COLLECTION:

The Special Taxes shall be collected in the same manner and at the same time as ordinary ad valorem property taxes; provided, however, the Board may provide for other means of collecting the Special Taxes including direct billing. The Special Tax shall be subject to the same penalties and same procedure, sale and lien priority in case of delinquency as is provided for with ad valorem taxes.

IX. TERMINATION OF SPECIAL TAX LEVY:

Provided that Special Taxes previously levied on an Assessor's Parcel are not delinquent, the lien of Special Taxes of the CFD shall terminate as to such Assessor's Parcel as follows: i) the close of the 25th Fiscal Year following the beginning of the Initial Fiscal Year for such Assessor's Parcel, or ii) the Special Tax obligation has been fully and completely discharged pursuant to Section VII. The Board shall cause to be recorded in the official records of San Diego County a Notice of Cessation of Special Tax for each Assessor's Parcel upon termination of the lien on such Assessor's Parcel.

X. APPEALS AND INTERPRETATION PROCEDURE

Any property owner or resident who feels that the amount or formula of the Special Tax is in error may file a notice with the Agency appealing the levy of the Special Tax. An appeal panel of 3 members, as appointed by the School District, will communicate the findings of the Appeals Panel. If the findings of the Appeals Panel verify that the Special Tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected, and if applicable in any case, a refund shall be granted. The time period used for calculating a refund will be limited to three years preceding the appeal.

Interpretations may be made the School District by resolution for purposes of clarifying any vagueness or ambiguity as it relates to any category, rate or definition applicable to these

proceedings so long as such interpretations are consistent with that certain Agreement made as of _____2000, between the School District and the Owner.