

RESOLUTION NUMBER R- 296472

ADOPTED ON MAY 07 2002

RESOLUTION OF INTENTION OF THE CITY COUNCIL TO ESTABLISH COMMUNITY FACILITIES DISTRICT NO. 3 (LIBERTY STATION) AND IMPROVEMENT AREAS THEREIN, TO AUTHORIZE THE LEVY OF SPECIAL TAXES TO PAY THE COSTS OF ACQUIRING OR CONSTRUCTING CERTAIN FACILITIES AND EXPENSES OF THE DISTRICT AND TO PAY DEBT SERVICE ON BONDED INDEBTEDNESS AND APPROVING A PURCHASE AND FINANCING AGREEMENT.

WHEREAS, the City Council of the City [City Council] desires to adopt this resolution of intention as provided in Section 53321 of the Government Code of the State of California to establish a community facilities district consisting of the territory described in Attachment "A" hereto and incorporated herein by this reference, which the City Council hereby determines shall be known as "Community Facilities District No. 3 (Liberty Station)" [Community Facilities District No. 3 or the District] pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, commencing with Section 53311 of the Government Code (the "Act") to finance (1) the purchase, construction, modification, expansion, improvement or rehabilitation of certain real or other tangible property described in Attachment "B" hereto and incorporated herein by this reference [collectively, the Facilities], which Facilities have a useful life of five years or longer; and (2) the incidental expenses to be incurred in connection with financing the Facilities and forming and administering the District [Incidental Expenses]; and

WHEREAS, the City Council further intends to approve an estimate of the costs of the Facilities and the Incidental Expenses for Community Facilities District No. 3; and

WHEREAS, the City Council further intends to establish Improvement Area Nos. 1 and 2 [each an Improvement Area and collectively the Improvement Areas] within Community Facilities District No. 3, with boundaries as set forth in Attachment "A," and

WHEREAS, it is the intention of the City Council to consider financing the Facilities and the Incidental Expenses through the formation of Community Facilities District No. 3 and the sale of bonded indebtedness in an amount not to exceed \$30,000,000 and the levy of a special tax within Improvement Area Nos. 1 and 2 of the District to pay for the Facilities and the Incidental Expenses and to pay debt service on the bonded indebtedness incurred by the District, provided that the bond sales and special tax levies are approved at an election to be held within the District for each Improvement Area; and

WHEREAS, there has been presented to this City Council the Purchase and Financing Agreement to be entered into between the City and McMillin-NTC, LLC with respect to the facilities to be acquired by the District [Purchase Agreement]; NOW, THEREFORE,

BE IT RESOLVED, by the City Council as follows:

1. That the above recitals are true and correct.
2. That a community facilities district is proposed to be established under the terms of the Act. It is further proposed that the boundaries of the community facilities district and the boundaries of each Improvement Area shall be as described in Attachment "A" hereto, which boundaries shall, upon recordation of the boundary map for the District, include the entirety of any parcel subject to taxation by the District. The proposed boundaries of the District and each Improvement Area are depicted on the map of the proposed Community Facilities District No. 3 which is on file with the City Clerk. The City Clerk is hereby directed to sign the original map of the District and record it with all proper endorsements thereon with the County Recorder of the

County of San Diego within 15 days after the adoption of this resolution, all as required by Section 3111 of the Streets and Highways Code of the State of California.

4. That the name of the proposed community facilities district shall be "Community Facilities District No. 3 (Liberty Station)" and the two proposed Improvement Areas shall be designated as "Improvement Area No. 1" and "Improvement Area No. 2."

5. That the Facilities proposed to be provided within Community Facilities District No. 3 and to be financed by the District are public facilities as defined in the Act, which the City is authorized by law to construct, acquire, own or operate. The City Council hereby finds and determines that the description of the Facilities herein is sufficiently informative to allow taxpayers within the proposed District to understand what the funds of the District may be used to finance. The Incidental Expenses expected to be incurred include the cost of planning and designing the Facilities, the costs of forming the District, issuing bonds and levying and collecting a special tax within the District. The Facilities may be acquired from one or more property owners as completed public improvements or may be constructed from bond or special tax proceeds. All or a portion of the Facilities may be purchased with District funds as completed public facilities pursuant to Section 53314.9 of the Act and/or constructed with District funds pursuant to Section 53316.2 of the Act. Any portion of the Facilities may be financed through a lease or lease-purchase arrangement if the District hereafter determines that such arrangement is of benefit to the District.

6. That except where funds are otherwise available, it is the intention of the City Council to levy annually in accordance with the procedures contained in the Act a special tax within each Improvement Area, secured by recordation of a continuing lien against all nonexempt real property in that Improvement Area, sufficient to pay for: (i) the Facilities and Incidental

Expenses; and (ii) the principal and interest and other periodic costs on bonds or other indebtedness issued by the District to finance the Facilities and Incidental Expenses, including the establishment and replenishment of any reserve funds deemed necessary by the District, and any remarketing, credit enhancement and liquidity facility fees (including such fees for instruments which serve as the basis of a reserve fund in lieu of cash). The rate and method of apportionment and manner of collection of the special tax within each Improvement Area are described in detail in Attachment "C" attached hereto, which Attachment "C" is incorporated herein by this reference. Attachment "C" allows each landowner within each of the proposed Improvement Areas to estimate the maximum amount that may be levied against each parcel. In the first year in which such special tax is levied, the levy shall include an amount sufficient to repay to the District all amounts, if any, transferred to the District pursuant to Section 53314 of the Act and interest thereon.

If special taxes of the District are levied against any parcel used for private residential purposes, (i) the maximum special tax rate shall not be increased over time; (ii) such tax shall be levied for a period not to exceed forty (40) years commencing with Fiscal Year 2002-03, as further described in Attachment "C" hereto; and (iii) under no circumstances will such special tax be increased as a consequence of delinquency or default by the owner of any other parcel or parcels within the District by more than ten percent.

The special tax within a proposed Improvement Area is based on the expected demand that each parcel of real property will place on the Facilities and on the benefit that each parcel derives from the right to access the Facilities. The City Council hereby determines that the proposed Facilities are necessary to meet the increased demand placed upon the City and the existing infrastructure in the City as a result of the development of the land proposed for inclusion

in the District. The City Council hereby determines the rate and method of apportionment of the special tax set forth in Attachment "C" proposed for each Improvement Area to be reasonable. The special tax is apportioned to each parcel on the foregoing basis pursuant to Section 53325.3 of the Act and such special tax is not on or based upon the value or ownership of real property. In the event that a portion of the property within a proposed Improvement Area shall become for any reason exempt, wholly or partially, from the levy of the special tax specified on Attachment "C", the City Council shall, on behalf of the District, cause the levy to be increased, subject to the limitation of the maximum special tax for a parcel as set forth in Attachment "C", to the extent necessary upon the remaining property within that Improvement Area which is not delinquent or exempt in order to yield the special tax revenues required for the purposes described in this Section 5. The obligation to pay special taxes may be prepaid as set forth in Attachment "C."

7. That a public hearing [Hearing] on the establishment of the proposed Community Facilities District No. 3 and each proposed Improvement Area, the proposed rate and method of apportionment of the special tax for each Improvement Area and the proposed issuance of bonds by the District to finance the Facilities and the Incidental Expenses shall be held at ^{10:00} 9 .m., or as soon thereafter as practicable, on JUNE 25, 2002, at the City Council Chambers, 202 C Street, San Diego, California 92101. Should the City Council determine to form the District and establish the Improvement Areas, a special election will be held within each Improvement Area in accordance with the procedures contained in Government Code Section 53326 to authorize the issuance of the bonds and the levy of the special tax. If held, the proposed voting procedure at the elections will be a landowner vote with each landowner who is the owner of record of land within an Improvement Area at the close of the Hearing, or the authorized representative thereof,

having one vote for each acre or portion thereof owned within the Improvement Area. Ballots for the special elections may be distributed by mail or by personal service.

8. That at the time and place set forth above for the Hearing, the City Council will receive testimony as to whether the proposed Community Facilities District No. 3 and the proposed Improvement Areas shall be established and as to the rate and method of apportionment of the special tax for the District and shall consider:

a. if an *ad valorem* property tax is currently being levied on property within proposed Community Facilities District No. 3 for the exclusive purpose of paying principal of or interest on bonds, lease payments or other indebtedness incurred to finance construction of capital facilities; and

b. if the capital facilities to be financed and constructed by Community Facilities District No. 3 will provide the same services as were provided by the capital facilities mentioned in subsection (a) above; and

c. if the City Council makes the findings specified in subsections (a) and (b) above, it will consider appropriate action to determine that the total annual amount of ad valorem property tax revenue due from parcels within Community Facilities District No. 3, for purposes of paying principal and interest on the debt identified in subsection (a) above, shall not be increased after the date on which Community Facilities District No. 3 is created, or after a later date determined by the City Council with the concurrence of the legislative body which levied the property tax in question.

9. That at the time and place set forth above for the Hearing, any interested person, including all persons owning land or registered to vote within proposed Community Facilities District No. 3, may appear and be heard.

10. That each District officer who is or will be responsible for providing the Facilities within proposed Community Facilities District No. 3, if it is established, is hereby directed to study the proposed District and, at or before the time of the above-mentioned Hearing, file a report with the City Council containing a brief description of the public facilities by type which will in his or her opinion be required to meet adequately the needs of Community Facilities District No. 3 and an estimate of the cost of providing those public facilities, including the cost of environmental evaluations of such facilities and an estimate of the fair and reasonable cost of any Incidental Expenses to be incurred.

11. That the District may accept advances of funds or work-in-kind from any source, including, but not limited to, private persons or private entities, for any authorized purpose, including, but not limited to, paying any cost incurred in creating Community Facilities District No. 3. The District may enter into an agreement with the person or entity advancing the funds or work-in-kind, to repay all or a portion of the funds advanced, or to reimburse the person or entity for the value, or cost, whichever is less, of the work-in-kind, as determined by the City Council, with or without interest. The District is hereby authorized to reimburse McMillin-NTC, LLC or its successors and assigns for moneys advanced pursuant to that certain the Reimbursement Agreement heretofore entered into by and between McMillin-NTC, LLC and the City, but only under the circumstances permitting reimbursement under such Reimbursement Agreement.

12. That the City Clerk is hereby directed to publish a notice [Notice] of the Hearing pursuant to Section 6061 of the Government Code in a newspaper of general circulation published in the area of proposed Community Facilities District No. 3. The City Clerk is further directed to mail a copy of the Notice to each of the landowners within the boundaries of the District at least 15 days prior to the Hearing. The Notice shall contain the text or a summary of

this Resolution, the time and place of the Hearing, a statement that the testimony of all interested persons or taxpayers will be heard, a description of the protest rights of the registered voters and landowners in the proposed District and a description of the proposed voting procedure for the elections required by the Act. Such publication shall be completed at least seven (7) days prior to the date of the Hearing.

13. That except to the extent limited in any bond resolution or trust indenture related to the issuance of bonds, the City Council hereby reserves to itself all rights and powers set forth in Section 53344.1 of the Act (relating to tenders in full or partial payment).

14. That the Purchase Agreement, a copy of which is on file in the Office of the City Clerk as Document No. RR-296472, is hereby approved as to form, and the Deputy City Manager overseeing financial affairs of the City, or his or her designee, each is hereby authorized to execute the Purchase Agreement on behalf of the City substantially in the form presented, together with such changes as are approved by the City Attorney.

15. That this Resolution shall be effective upon its adoption.

APPROVED: CASEY GWINN, City Attorney

By Kelly J. Salt
Kelly J. Salt
Deputy City Attorney

KJS:pev
4/22/02
Or.Dept:E&CP
R-2002-1282
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ATTACHMENT A

IMPROVEMENT AREA NO. 1 LEGAL DESCRIPTION

All that real property situated in the County of San Diego, State of California, being portions of the Naval Training Center in the City of San Diego, County of San Diego, State of California, said portions more particularly described as follows:

That certain parcel of land situated in the City of San Diego, County of San Diego, State of California being a portion of Parcel 14 of Record of Survey No. 16556 according to map thereof filed in the Office of the County Recorder of said county as File No. 2000-210625 described as follows:

BEGINNING at the most southerly corner of said Parcel 14; thence along the southwesterly line of said parcel North 53°43'54" West 75.47 feet to the **TRUE POINT OF BEGINNING**; thence continuing along said southwesterly line North 53°43'54" West 96.58 feet to a point on a non-tangent curve concave southwesterly and having a radius of 647.00 feet, a radial line of said curve from said point bears South 44°42'15" West; thence along said curve northwesterly 95.26 feet through a central angle of 08°26'09"; thence tangent to said curve North 53°43'54" West 1119.44 feet to a point on a tangent curve concave easterly and having a radius of 20.00 feet; thence along said curve northerly 31.42 feet through a central angle of 90°00'00"; then tangent to said curve North 36°16'06" East 973.04 feet to a point on a tangent curve concave southerly and having a radius of 20.00 feet; thence along said curve easterly 31.42 feet through a central angle of 90°00'00"; thence tangent to said curve South 53°43'54" East 525.50 feet; thence South 35°16'06" West 95.63 feet; thence South 53°43'54" East 20.00 feet; thence South 36°16'06" West 171.63 feet; thence South 53°43'54" East 16.75 feet; thence South 08°43'54" East 15.91 feet; thence South 53°43'54" East 137.75 feet; thence North 81°16'06" East 15.91 feet; thence North 36°16'06" East 56.00 feet; thence North 53°43'54" West 18.50 feet; thence North 36°16'06" East 241.26 feet; thence North 53°43'54" West 22.25 feet; thence North 36°16'06" East 178.77 feet; thence North 46°15'06" East 70.33 feet; thence South 43°31'34" East 96.32 feet; thence South 53°43'54" East 143.24 feet; thence North 36°16'06" East 44.72 feet to a point on a tangent curve concave southeasterly and having a radius of 450.00 feet; thence along said curve northeasterly 23.55 feet through a central angle of 02°59'53"; thence radially from said curve South 50°44'01"; East 30.00 feet; thence South 48°09'05" East 239.11 feet; thence South 53°43'54" East 26.45 feet; thence North 36°15'06" East 69.77 feet; thence South 48°09'05" East 121.53 feet to a point on a non-tangent curve concave southeasterly and having

a radius of 2429.99 feet, a radial line of said curve from said point bears South 49°25'52" East; thence along said curve southwesterly 180.92 feet through a central angle of 04°15'57"; thence tangent to said curve South 36°18'11" West 111.62 feet to a point on a tangent curve concave northerly and having a radius of 10.00 feet; thence along said curve southwesterly and northwesterly 15.70 feet through a central angle of 89°57'55"; thence tangent to said curve North 53°43'54" West 253.42 feet; thence South 36°16'06" West 430.85 feet; thence South 53°43'54" East 109.67 feet; thence South 08°43'54"; East 17.03 feet; thence South 53°43'54" East 141.55 feet; thence South 36°18'40" West 481.49 feet to a point on a tangent curve concave northwesterly and having a radius of 420.00 feet; thence along said curve southwesterly 140.66 feet through a central angle of 19°11'21"; thence tangent to said curve South 55°30'01" West 18.67 feet to the **TRUE POINT OF BEGINNING**.

CONTAINING: 32.477 Acres, more or less.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Records.

IMPROVEMENT AREA NO. 2 LEGAL DESCRIPTION

All that real property situated in the County of San Diego, State of California, being portions of the Naval Training Center in the City of San Diego, County of San Diego, State of California, said portions more particularly described as follows:

Parcels 10, 12, 14 and 18 as depicted on Record of Survey Map No. 16556 filed on April 25, 2000 in the Book of Record of Survey Maps in the office of the County Recorder for the County of San Diego.

EXCEPTING THEREFROM that certain parcel of land situated in the City of San Diego, County of San Diego, State of California being a portion of Parcel 14 of Record of Survey No. 16556 according to map thereof filed in the Office of the County Recorder of said county as File No. 2000-210625 described as follows:

BEGINNING at the most southerly corner of said Parcel 14; thence along the southwesterly line of said parcel North 53°43'54" West 75.47 feet to the **TRUE POINT OF BEGINNING**; thence continuing along said southwesterly line North 53°43'54" West 96.58 feet to a point on a non-tangent curve concave southwesterly and having a radius of 647.00 feet, a radial line of said curve from said point bears South 44°42'15" West; thence along said curve northwesterly 95.26 feet through a central angle of 08°26'09"; thence tangent to said curve North 53°43'54" West 1119.44 feet to a point on a tangent curve concave easterly and having a radius of 20.00 feet; thence along said curve northerly 31.42 feet through a central angle of 90°00'00"; then tangent to said curve North 36°16'06" East 973.04 feet to a point on a tangent curve concave southerly and having a radius of 20.00 feet; thence along said curve easterly 31.42 feet through a central angle of 90°00'00"; thence tangent to said curve South 53°43'54" East 525.50 feet; thence South 35°16'06" West 95.63 feet; thence South 53°43'54" East 20.00 feet; thence South 36°16'06" West 171.63 feet; thence South 53°43'54" East 16.75 feet; thence South 08°43'54" East 15.91 feet; thence South 53°43'54" East 137.75 feet; thence North 81°16'06" East 15.91 feet; thence North 36°16'06" East 56.00 feet; thence North 53°43'54" West 18.50 feet; thence North 36°16'06" East 241.26 feet; thence North 53°43'54" West 22.25 feet; thence North 36°16'06" East 178.77 feet; thence North 46°15'06" East 70.33 feet; thence South 43°31'34" East 96.32 feet; thence South 53°43'54" East 143.24 feet; thence North 36°16'06" East 44.72 feet to a point on a tangent curve concave southeasterly and having a radius of 450.00 feet; thence along said curve northeasterly 23.55 feet through a central angle of 02°59'53"; thence radially from said curve South 50°44'01"; East 30.00 feet; thence South 48°09'05" East

239.11 feet; thence South 53°43'54" East 26.45 feet; thence North 36°15'06" East 69.77 feet; thence South 48°09'05" East 121.53 feet to a point on a non-tangent curve concave southeasterly and having a radius of 2429.99 feet, a radial line of said curve from said point bears South 49°25'52" East; thence along said curve southwesterly 180.92 feet through a central angle of 04°15'57"; thence tangent to said curve South 36°18'11" West 111.62 feet to a point on a tangent curve concave northerly and having a radius of 10.00 feet; thence along said curve southwesterly and northwesterly 15.70 feet through a central angle of 89°57'55"; thence tangent to said curve North 53°43'54" West 253.42 feet; thence South 36°16'06" West 430.85 feet; thence South 53°43'54" East 109.67 feet; thence South 08°43'54"; East 17.03 feet; thence South 53°43'54" East 141.55 feet; thence South 36°18'40" West 481.49 feet to a point on a tangent curve concave northwesterly and having a radius of 420.00 feet; thence along said curve southwesterly 140.66 feet through a central angle of 19°11'21"; thence tangent to said curve South 55°30'01" West 18.67 feet to the **TRUE POINT OF BEGINNING**.

CONTAINING: 209.32 Acres, more or less.

SUBJECT TO all Covenants, Rights, Rights-of-Way and Easements of Records.

ATTACHMENT B

Types of Facilities to Be Financed by Community Facilities District No. 3

The proposed type of public facilities to be financed by the District include:

1. Major street improvements and improvements to collector streets determined by the City to have benefit outside of the District which are required by the City in connection with development within the District, including, but not limited to, right of way acquisition, roadway improvements, traffic signals, storm drains, water, sewer and dry utilities, street lighting, landscaping and other incidental and appurtenant work.
2. Regional park improvements, including demolition, grading, landscaping, irrigation and other incidental and appurtenant work.

ATTACHMENT C

**RATE AND METHOD OF APPORTIONMENT FOR
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)**

**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA NO. 1 OF
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 1 of Community Facilities District No. 3 ("IA No. 1") and collected each Fiscal Year commencing in Fiscal Year 2002-2003, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," "Other Taxable Property," and "Undeveloped Property" as described below. All of the real property in IA No. 1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

This Rate and Method of Apportionment employs terms defined below and terms defined in the Rate and Method of Apportionment for Improvement Area No. 2. When necessary, terms defined in the latter shall be distinguished from terms defined in the former by including the words "IA No. 2" prior to the defined term. The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 3: the costs of computing the Special Taxes and IA No. 2 Special Taxes; the costs of preparing the annual Special Tax and IA No. 2 Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes and IA No. 2 Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes and IA No. 2 Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 3 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 3 or any designee thereof of complying with disclosure requirements of the City, CFD No. 3 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax and/or IA No. 2 Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes and/or IA No. 2 Special Taxes; the costs of the City, of CFD No. 3 or any designee thereof related to an appeal of the Special Tax and/or the IA No. 2 Special Tax; the costs associated with the release of funds from an escrow account; and the City's annual administration fees and third

party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 3 for any other administrative purposes of CFD No. 3, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes and/or IA No. 2 Special Taxes.

"Agency" means the Redevelopment Agency of the City.

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

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax Appendix" means Attachment A to this RMA consisting of the Lot Maps and Backup Special Tax table, as it may be modified from time to time pursuant to Section C.1(c) of this RMA.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and for levying and collecting the Special Taxes.

"CFD No. 3" means Community Facilities District No. 3 of the City.

"CFD No. 3 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 3 under the Act.

"City" means the City of San Diego.

"City/Agency Property" means any Assessor's Parcel or other property within the boundaries of IA No. 1 that is owned by the City or the Agency, provided however that so long as any such Assessor's Parcel is conveyed through a leasehold interest to an entity other than the City or the Agency such Assessor's Parcel shall not be considered City/Agency Property, but during the duration of the leasehold interest shall be classified and taxed according to its development status and land use. In the event that an Assessor's Parcel that was conveyed in fee to an entity other than the City or the Agency includes an existing residential or non-residential building or a Planned Building, and is subsequently acquired by the City or the Agency pursuant to Section 9.10 of the Disposition and Development Agreement or otherwise, that Assessor's Parcel shall not be considered City/Agency Property, but shall remain subject to the Special Tax obligation and shall be classified and taxed according to its development status and land use.

"City Clerk" means the city clerk of the City.

"City Manager" means the city manager of the City.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 3.

"County" means the County of San Diego.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Other Taxable Property, which (i) was within a Final Map that was recorded prior to January 1 of the previous Fiscal Year, and (ii) for which a building permit for new construction was issued after March 1, 2001 but prior to March 1 of the previous Fiscal Year.

"Disposition and Development Agreement" means the Disposition and Development Agreement between the Agency and the Master Developer that was approved by the Council and Agency on June 26, 2000, as it may be modified or supplemented from time to time.

"Final Map" means (i) a final map, lot line adjustment, or parcel map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) and recorded with the County Recorder that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued. The term "Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create individual lots for which a building permit may be issued, including Assessor's Parcels that are designated as remainder parcels.

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

"Floor Area" means for Residential Property, all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The amount of Floor Area shall be determined by reference to the building permit(s) issued by the City for each building.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 3 Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Improvement Area No. 1" or "IA No. 1" means Improvement Area No. 1 of CFD No. 3, as identified on the boundary map for CFD No. 3.

"Improvement Area No. 2" or "IA No. 2" means Improvement Area No. 2 of CFD No. 3, as identified on the boundary map for CFD No. 3.

"Land Use Class" means any of the classes listed in Table 1.

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

"Lot Map(s)" means the map(s) identifying the location and lot number of each Lot and proposed residential lot located within IA No. 1 included in the Backup Special Tax Appendix.

"Master Developer" means McMillin-NTC, LLC and/or any assignee(s) or successor(s) serving as the master developer of infrastructure within CFD No. 3.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

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

"Outstanding Bonds" means all CFD No. 3 Bonds which are deemed to be outstanding under the Indenture.

"Other Public Property" means any Assessor's Parcel within the boundaries of IA No. 1 that is owned in fee or through a leasehold interest by any agency of the federal government, the State, the County, or any other public agency except the City or the Agency, provided however that any such Assessor's Parcel that includes an existing residential or non-residential building or a Planned Building shall not be considered Other Public Property, but shall be classified and taxed according to its development status and land use.

"Other Taxable Property" means Taxable City/Agency Property, Taxable Property Owner Association Property, and Taxable Other Public Property.

"Planned Building" means with respect to an Assessor's Parcel that the Precise Plan contemplates the rehabilitation or construction of a residential or non-residential building within all or a portion of such Assessor's Parcel, as determined by the CFD Administrator.

"Precise Plan" means the NTC Precise Plan dated October 3, 2000, approved by the Agency and the City, as it may be amended or superceded.

"Property Owner Association Property" means any property within the boundaries of IA No. 1 owned in fee or by easement or irrevocably offered for dedication to a property owner association, including any master or sub-association. However, notwithstanding the above, any of such property which constitutes the "pad-area" located directly under a residential or occupied non-residential building shall not be considered Property Owner Association Property.

"Proportionately" or "Proportionate" means, (i) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property and for IA No. 2 Developed Property that the ratio of the actual IA No. 2 Special Tax levy to the IA No. 2 Assigned Special Tax is equal for all Assessor's Parcels of IA No. 2 Developed Property; (ii) for Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property and the ratio of the actual IA No. 2 Special Tax per Acre to the IA No. 2 Maximum Special Tax per Acre is equal for all Assessor's Parcels of IA No. 2

Undeveloped Property; and (iii) for Other Taxable Property that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Other Taxable Property and for IA No. 2 Other Taxable Property that the ratio of the actual IA No. 2 Special Tax levy per Acre to the IA No. 2 Maximum Special Tax per Acre is equal for all Assessor's Parcels of IA No. 2 Other Taxable Property. Where this RMA requires pursuant to the fourth and fifth steps in Section D.1, the second, third and fourth steps in Section D.2, and/or Section D.3, that the levy of Special Taxes and IA No. 2 Special Taxes be "Proportionate" for a category of property described in (i), (ii) or (iii) above, then the foregoing ratios shall be equal as between IA No.1 and IA No. 2 for such category.

"Purchase and Finance Agreement" means the Purchase and Finance Agreement for CFD No. 3 that was approved by the Council on May 7, 2002, as it may be modified or supplemented from time to time.

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

"RMA" means Rate and Method of Apportionment.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Other Taxable Property, and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay debt service due in the calendar year which commences in such Fiscal year on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 3 Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 3 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities identified on Exhibit A to the Purchase and Finance Agreement to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property or the IA No. 2 Special Tax levy on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes and IA No. 2 Special Taxes based on the delinquency rate for Special Taxes and IA No. 2 Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy and IA No. 2 Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture. The Special Tax Requirement represents the total amount to be levied in any Fiscal Year within IA No. 1 and IA No. 2.

"State" means the State of California.

"Taxable City/Agency Property" means all Assessor's Parcels of City/Agency Property that are not exempt pursuant to Section E below.

"Taxable Other Public Property" means all Assessor's Parcels of Other Public Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of IA No. 1 which (i) have been conveyed in fee ownership or leasehold interest from the City and/or the Agency to an entity other than the City or the Agency, or that were so conveyed in fee ownership by the City and/or the Agency and were subsequently reacquired by the City and/or the Agency, and (ii) are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Other Taxable Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within IA No. 1 shall be classified as Developed Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Class 1. Non-Residential Property shall be assigned to Land Use Class 2. Each Assessor's Parcel classified as Developed Property shall be further classified as one of the Lots depicted in the Lot Map included in the Backup Special Tax Appendix attached as Attachment A, as it may be modified from time to time strictly in conformance with Section C.1(c) below.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

The Assigned Special Tax for each Land Use Class is shown below in Table 1.

TABLE 1

**Assigned Special Taxes for Developed Property
Improvement Area No. 1**

Land Use Class	Land Use	Assigned Special Tax
1	Residential Property	\$792.63 per dwelling unit plus \$1.2385 per square foot of Floor Area
2	Non-Residential Property	\$54,485 per Acre

c. Backup Special Tax

The Backup Special Tax for an Assessor's Parcel of Developed Property shall be the amount set forth in the Backup Special Tax table included in the Backup Special Tax Appendix for the corresponding Lot, as such Backup Special Tax Appendix is amended from time to time.

Prior to the issuance of CFD No. 3 Bonds, the Backup Special Tax Appendix shall be modified by the CFD Administrator upon the written request of the Master Developer in order to (i) conform the Lot Maps to the Lots designated in the most current Final Maps approved within IA No. 1 and (ii) the amounts in the Backup Special Tax table to the most current building product plans for those Lots. Upon receipt of the Master Developer's written request, the CFD Administrator shall assign a Backup Special Tax to each Lot in an amount equal to the Assigned Special Tax for each Lot based upon the most current building product plan for the Lot.

The Master Developer shall notify the CFD Administrator in writing each time a Final Map is approved or amended for property within IA No. 1.

Subsequent to the issuance of CFD No. 3 Bonds, the Backup Special Tax Appendix shall be modified by the CFD Administrator only to reflect any changes in the Lots pursuant to Final Maps approved or amended subsequent to the issuance of CFD No. 3 Bonds and to specify the Backup Special Tax amounts for the new Lots calculated as follows:

- (i) determine the aggregate Backup Special Taxes anticipated to apply to the changed Lots prior to the approval of the new or amended Final Maps;

- (ii) divide the result of (i) by the number of new Lots; and
- (iii) the amount determined in (ii) shall be the Backup Special Tax amount for each of the new Lots reflected in the modified Backup Special Tax table.

The modified Backup Special Tax Appendix shall be attached to an Amended Notice of Special Tax Lien recorded within sixty (60) days of the CFD Administrator's receipt of the Master Developer's written request and, in the case of a modification based on Final Maps approved or amended subsequent to the issuance of CFD No. 3 Bonds, within sixty (60) days of the CFD Administrator being notified, by the Master Developer or otherwise, of the recordation of a new Final Map.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each Land Use Class as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

2. Other Taxable Property and Undeveloped Property

The Maximum Special Tax for Other Taxable Property and Undeveloped Property shall be \$54,485 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year the Council shall determine the Special Tax Requirement and levy the Special Tax, taking into consideration the levy of the IA No. 2 Special Tax, until the amount of Special Taxes and IA No. 2 Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows. The steps indicated in Section D.1 shall be applied in each Fiscal Year prior to and including the Fiscal Year in which a second series of CFD No. 3 Bonds is sold to finance facilities identified on Exhibit A to the Purchase and Finance Agreement. The steps indicated in Section D.2 shall be applied in the first Fiscal Year after the issuance of such second series of CFD No. 3 Bonds, and each Fiscal Year thereafter. A series of CFD No. 3 Bonds that is issued solely to refund a prior series of CFD No. 3 Bonds shall not be considered a second series of CFD No. 3 Bonds for purposes of this section.

1. Prior to the Issuance of the Second Series of CFD No. 3 Bonds

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax; and the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied on each Assessor's Parcel of IA No. 2 Developed Property in an amount equal to 100% of the applicable IA No. 2 Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied Proportionately on each Assessor's Parcel of IA No. 2 Undeveloped Property at up to 100% of the IA No. 2 Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel; and the Council shall be notified that under the terms of the IA No. 2 RMA, the levy of the IA No. 2 Special Tax on each Assessor's Parcel of IA No. 2 Developed Property whose IA No. 2 Maximum Special Tax is determined through the application of the IA No. 2 Backup Special Tax shall be increased in equal percentages from the IA No. 2 Assigned Special Tax up to the IA No. 2 Maximum Special Tax for each such Assessor's Parcel, with the levy on Developed Property and IA No. 2 Developed Property being Proportionate;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied on each Assessor's Parcel of Other Taxable Property at up to the Maximum Special Tax for Other Taxable Property; and the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied on each Assessor's Parcel of IA No. 2 Other Taxable Property at up to the IA No. 2 Maximum Special Tax for Other Taxable Property, with the levy on Other Taxable Property and IA No. 2 Other Taxable Property being Proportionate.

2. After the Issuance of the Second Series of CFD No. 3 Bonds

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax; and the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied on each Assessor's Parcel of IA No. 2 Developed Property in an amount equal to 100% of the applicable IA No. 2 Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property; and the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied on each Assessor's Parcel of IA No. 2 Undeveloped Property at up to 100% of the IA No. 2 Maximum Special Tax for Undeveloped Property, with the levy on Undeveloped Property and IA No. 2 Undeveloped Property being Proportionate;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel; and the Council shall be notified that under the terms of the IA No. 2 RMA, the levy of the IA No. 2 Special Tax on each Assessor's Parcel of IA No. 2 Developed Property whose IA No. 2 Maximum Special Tax is determined through the application of the IA No. 2 Backup Special Tax shall be increased in equal percentages from the IA No. 2 Assigned Special Tax up to the IA No. 2 Maximum Special Tax for each such Assessor's Parcel, with the levy on Developed Property and IA No. 2 Developed Property being Proportionate;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied on each Assessor's Parcel of Other Taxable Property at up to the Maximum Special Tax for Other Taxable Property; and the Council shall be notified that under the terms of the IA No. 2 RMA, the IA No. 2 Special Tax shall be levied on each Assessor's Parcel of IA No. 2 Other Taxable Property at up to the IA No. 2 Maximum Special Tax for Other Taxable Property, with the levy on Other Taxable Property and IA No. 2 Other Taxable Property being Proportionate.

3. Additional Levy Guidelines

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax in step one of Section D.1 or D.2 (above) and the IA No. 2 Assigned Special Tax in step one of Section D.1 or D.2 (of the IA No. 2 RMA), when (i) the Council is no longer required to levy a Special Tax pursuant to step two in Section D.1 or D.2 (above) and the Council is no longer required to levy an IA No. 2 Special Tax pursuant to step two in Section D.2 of the

IA No. 2 RMA in order to meet the Special Tax Requirement; (ii) all authorized CFD No. 3 Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 3 Bonds (except refunding bonds) to be supported by Special Taxes and IA No. 2 Special Taxes; and (iii) all facilities identified on Exhibit A to the Purchase and Finance Agreement have been acquired.

Further notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 3.

E. EXEMPTIONS

No Special Tax shall be levied on up to 15.54 Acres of City/Agency Property, Other Public Property, and/or Property Owner Association Property. However, the Acreage of any City/Agency Property that has never been conveyed in fee ownership or leasehold interest from the City and/or the Agency to an entity other than the City or the Agency shall not be included in the 15.54 Acres, and such property shall be considered exempt. Tax-exempt status for all other property will be assigned by the CFD Administrator in the chronological order in which property becomes City/Agency Property, Other Public Property, or Property Owner Association Property. However, should an Assessor's Parcel no longer be classified as City/Agency Property, Other Public Property, or Property Owner Association Property its tax-exempt status will be revoked.

City/Agency Property, Other Public Property, or Property Owner Association Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed as described in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

F. APPEALS AND INTERPRETATIONS

Any tax payer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall make a recommendation to the City Manager or designee to eliminate or reduce the Special Tax on the appellant's property and/or to provide a refund to the appellant. The approval of the City Manager or designee must be obtained prior to any such elimination or reduction. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the City Manager or designee by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 3 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The following definition applies to this Section H:

"CFD Public Facilities" means either \$20,780,000 in 2001 dollars, which shall increase by the Construction Inflation Index on July 1, 2002, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 3 under the authorized Mello-Roos financing program for CFD No. 3, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 3 Bonds (except refunding bonds) to be supported by Special Taxes and IA No. 2 Special Taxes.

"Construction Fund" means the account (regardless of its name) identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facility costs.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 3 Bonds that have been issued prior to the date of prepayment.

Only an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued, may prepay its Special Tax obligation. The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 3 may be prepaid and the obligation of the Assessor's Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. The CFD Administrator shall provide the owner with a statement of the prepayment amount for such Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made not less than 60 days prior to any redemption date for the CFD No. 3 Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
less	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Taxes for the entire CFD No. 3 based on the Developed Property Special Taxes and IA No. 2 Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 3 as determined by the CFD Administrator based on the Precise Plan and other information currently available, excluding any Assessor's Parcels which have been prepaid, and

- (b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the total estimated Backup Special Taxes and IA No. 2 Backup Special Taxes at buildout for the entire CFD No. 3 as determined by the CFD Administrator based on the Precise Plan and other information currently available, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
 5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
 6. Compute the current Future Facilities Costs.
 7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
 8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
 9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
 10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
 11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
 12. Verify the administrative fees and expenses of CFD No. 3, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 3 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
 13. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.

14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").
15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 3.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 3 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 3 Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in full, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes and IA No. 2 Maximum Special Taxes that may be levied on Taxable Property and IA No. 2 Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the partial prepayment

P_E = the Prepayment Amount calculated according to Section H.1

F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 3 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed forty years commencing with Fiscal Year 2002-2003, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 3 Bonds have been paid; (ii) all facilities have been acquired and all reimbursements to the Master Developer have been paid pursuant to the Purchase and Finance Agreement; and (iii) all required Administrative Expenses have been paid.

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ATTACHMENT A
BACKUP SPECIAL TAX APPENDIX

R- 296472

Backup Special Tax Table

NTC - UNIT No. 1

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>House Plan Number</u>	<u>House Plan Sq. Ft.</u>
1	\$4,104.38	ROW	3	2,674
2	3,637.46	ROW	2	2,297
3	4,104.38	ROW	3	2,674
4	4,104.38	ROW	3	2,674
5	4,104.38	ROW	3	2,674
6	3,637.46	ROW	2	2,297
7	4,104.38	ROW	3	2,674
8	4,104.38	ROW	3	2,674
9	3,637.46	ROW	2	2,297
10	4,104.38	ROW	3	2,674
11	3,637.46	SFD	1	2,297
12	4,049.89	SFD	2	2,630
13	4,307.49	SFD	3	2,838
14	4,049.89	SFD	2	2,630
15	4,307.49	SFD	3	2,838
16	3,637.46	SFD	1	2,297
17	4,307.49	SFD	3	2,838
18	4,307.49	SFD	3	2,838
19	4,049.89	SFD	2	2,630
20	4,307.49	SFD	3	2,838
21	3,637.46	SFD	1	2,297
22	4,049.89	SFD	2	2,630
23	4,307.49	SFD	3	2,838
24	4,049.89	SFD	2	2,630
25	3,637.46	SFD	1	2,297
26	4,307.49	SFD	3	2,838
27	4,049.89	SFD	2	2,630
28	3,637.46	SFD	1	2,297
29	4,307.49	SFD	3	2,838
30	4,049.89	SFD	2	2,630
31	4,307.49	SFD	3	2,838
32	3,637.46	SFD	1	2,297
33	4,307.49	SFD	3	2,838
34	4,049.89	SFD	2	2,630
35	4,307.49	SFD	3	2,838
36	4,049.89	SFD	2	2,630
37	3,637.46	SFD	1	2,297
38	4,049.89	SFD	2	2,630
39	4,049.89	SFD	2	2,630
40	4,307.49	SFD	3	2,838
41	4,049.89	SFD	2	2,630
42	3,637.46	SFD	1	2,297
43	4,307.49	SFD	3	2,838
44	4,049.89	SFD	2	2,630
45	4,307.49	SFD	3	2,838
46	3,637.46	SFD	1	2,297
47	4,307.49	SFD	3	2,838
48	4,049.89	SFD	2	2,630

Backup Special Tax Table

NTC - UNIT No. 1

Lot Number	Backup Special Tax	SFD, ROW or TH	House Plan Number	House Plan Sq. Ft.
49	4,307.49	SFD	3	2,838
50	3,637.46	SFD	1	2,297
51	4,049.89	SFD	2	2,630
52	4,307.49	SFD	3	2,838
53	4,104.38	ROW	3	2,674
54	4,104.38	ROW	3	2,674
55	4,104.38	ROW	3	2,674
56	4,104.38	ROW	3	2,674
57	4,104.38	ROW	3	2,674
58	4,104.38	ROW	3	2,674
59	4,104.38	ROW	3	2,674
60	3,192.84	ROW	1	1,938
61	3,637.46	ROW	2	2,297
62	4,104.38	ROW	3	2,674
63	4,104.38	ROW	3	2,674
64	3,192.84	ROW	1	1,938
65	4,104.38	ROW	3	2,674
66	3,192.84	ROW	1	1,938
67	3,637.46	ROW	2	2,297
68	3,192.84	ROW	1	1,938
69	3,192.84	ROW	1	1,938
70	4,104.38	ROW	3	2,674
71	4,307.49	SFD	3	2,838
72	3,637.46	SFD	1	2,297
73	4,307.49	SFD	3	2,838
74	4,049.89	SFD	2	2,630
75	4,104.38	ROW	3	2,674
76	4,307.49	SFD	3	2,838
77	4,049.89	SFD	2	2,630
78	3,637.46	SFD	1	2,297
79	4,307.49	SFD	3	2,838
80	4,049.89	SFD	2	2,630
81	4,049.89	SFD	2	2,630
82	3,637.46	SFD	1	2,297
83	4,307.49	SFD	3	2,838
84	4,049.89	SFD	2	2,630
85	4,307.49	SFD	3	2,838
86	4,307.49	SFD	3	2,838
87	4,049.89	SFD	2	2,630
88	3,637.46	SFD	1	2,297
89	4,307.49	SFD	3	2,838
90	4,049.89	SFD	2	2,630
91	4,049.89	SFD	2	2,630
92	4,307.49	SFD	3	2,838
93	4,049.89	SFD	2	2,630
94	4,307.49	SFD	3	2,838
95	4,049.89	SFD	2	2,630
96	4,307.49	SFD	3	2,838

Backup Special Tax Table

NTC - UNIT No. 1

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>House Plan Number</u>	<u>House Plan Sq. Ft.</u>
97	3,637.46	SFD	1	2,297
98	4,049.89	SFD	2	2,630
99	4,307.49	SFD	3	2,838
100	3,637.46	ROW	2	2,297
101	3,637.46	ROW	2	2,297
102	4,104.38	ROW	3	2,674
103	3,192.84	ROW	1	1,938
104	3,637.46	ROW	2	2,297
105	4,104.38	ROW	3	2,674
<u>105</u>	<u>\$419,225.01</u>			<u>271,295</u>

Backup Special Tax Table

NTC - UNIT No. 2

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>Plan Number</u>	<u>Plan Sq. Ft.</u>
1	\$4,104.38	ROW	3	2,674
2	3,637.46	ROW	2	2,297
3	4,104.38	ROW	3	2,674
4	4,104.38	ROW	3	2,674
5	3,637.46	ROW	2	2,297
6	4,104.38	ROW	3	2,674
7	4,104.38	ROW	3	2,674
8	4,104.38	ROW	3	2,674
9	4,104.38	ROW	3	2,674
10	3,192.84	ROW	1	1,938
11	4,104.38	ROW	3	2,674
12	4,104.38	ROW	3	2,674
13	3,637.46	ROW	2	2,297
14	3,637.46	ROW	2	2,297
15	4,104.38	ROW	3	2,674
16	4,307.49	SFD	3	2,838
17	3,637.46	SFD	1	2,297
18	4,049.89	SFD	2	2,630
19	4,307.49	SFD	3	2,838
20	4,049.89	SFD	2	2,630
21	3,637.46	ROW	2	2,297
22	3,192.84	ROW	1	1,938
23	3,637.46	ROW	2	2,297
24	3,192.84	ROW	1	1,938
25	3,192.84	ROW	1	1,938
26	3,637.46	ROW	2	2,297
27	3,192.84	ROW	1	1,938
28	4,104.38	ROW	3	2,674
29	4,307.49	SFD	3	2,838
30	4,049.89	SFD	2	2,630
31	4,307.49	SFD	3	2,838
32	4,049.89	SFD	2	2,630
33	3,637.46	SFD	1	2,297
34	3,637.46	ROW	2	2,297
35	3,192.84	ROW	1	1,938
36	3,637.46	ROW	2	2,297
37	3,192.84	ROW	1	1,938
38	3,192.84	ROW	1	1,938
39	3,637.46	ROW	2	2,297
40	3,192.84	ROW	1	1,938
41	4,104.38	ROW	3	2,674
42	4,104.38	ROW	3	2,674
43	3,192.84	ROW	1	1,938
44	3,637.46	ROW	2	2,297
45	4,104.38	ROW	3	2,674
46	3,637.46	ROW	2	2,297
47	4,104.38	ROW	3	2,674

Backup Special Tax Table

NTC - UNIT No. 2

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>Plan Number</u>	<u>Plan Sq. Ft.</u>
48	3,637.46	ROW	2	2,297
49	4,104.38	ROW	3	2,674
50	3,637.46	ROW	2	2,297
51	4,104.38	ROW	3	2,674
52	3,192.84	ROW	1	1,938
53	3,637.46	ROW	2	2,297
54	4,104.38	ROW	3	2,674
55	4,104.38	ROW	3	2,674
56	3,192.84	ROW	1	1,938
57	4,104.38	ROW	3	2,674
58	3,637.46	ROW	2	2,297
59	3,192.84	ROW	1	1,938
60	3,637.46	ROW	2	2,297
61	4,104.38	ROW	3	2,674
62	3,637.46	ROW	2	2,297
63	4,104.38	ROW	3	2,674
64	3,637.46	ROW	2	2,297
65	3,637.46	ROW	2	2,297
66	3,192.84	ROW	1	1,938
67	3,637.46	ROW	2	2,297
68	4,104.38	ROW	3	2,674
69	4,104.38	ROW	3	2,674
70	3,192.84	ROW	1	1,938
71	3,637.46	ROW	2	2,297
72	3,192.84	ROW	1	1,938
73	3,637.46	ROW	2	2,297
74	3,192.84	ROW	1	1,938
75	3,192.84	ROW	1	1,938
76	3,637.46	ROW	2	2,297
77	3,192.84	ROW	1	1,938
78	3,192.84	ROW	1	1,938
79	3,192.84	ROW	1	1,938
80	3,192.84	ROW	1	1,938
81	3,637.46	ROW	2	2,297
82	3,192.84	ROW	1	1,938
83	3,192.84	ROW	1	1,938
84	3,192.84	ROW	1	1,938
85	3,192.84	ROW	1	1,938
86	4,104.38	ROW	3	2,674
87	3,192.84	ROW	1	1,938
88	3,192.84	ROW	1	1,938
89	3,192.84	ROW	1	1,938
90	3,192.84	ROW	1	1,938
91	3,637.46	ROW	2	2,297
92	3,192.84	ROW	1	1,938
93	3,192.84	ROW	1	1,938
94	3,192.84	ROW	1	1,938
95	3,192.84	ROW	1	1,938

Backup Special Tax Table

NTC - UNIT No. 2

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>Plan Number</u>	<u>Plan Sq. Ft.</u>
96	4,104.38	ROW	3	2,674
97	4,104.38	ROW	3	2,674
98	3,192.84	ROW	1	1,938
99	3,192.84	ROW	1	1,938
100	3,637.46	ROW	2	2,297
101	3,192.84	ROW	1	1,938
102	3,637.46	ROW	2	2,297
103	3,192.84	ROW	1	1,938
104	3,637.46	ROW	2	2,297
<u>104</u>	<u>\$378,337.18</u>			<u>238,921</u>

Backup Special Tax Table

NTC - UNIT No. 2 (Condo's)

Lot Number	Backup Special Tax	SFD, ROW or TH	Plan Number	Plan Sq. Ft.
105-A	\$2,753.18	TH	4	1,583
105-B	2,161.17	TH	1	1,105
105-C	2,753.18	TH	4	1,583
105-D	2,753.18	TH	4	1,583
105-E	2,161.17	TH	1	1,105
105-F	2,753.18	TH	4	1,583
106-A	2,753.18	TH	4	1,583
106-B	2,161.17	TH	1	1,105
106-C	2,458.41	TH	3	1,345
106-D	2,458.41	TH	3	1,345
106-E	2,161.17	TH	1	1,105
106-F	2,753.18	TH	4	1,583
107-A	2,753.18	TH	4	1,583
107-B	2,137.64	TH	1Y	1,086
107-C	2,143.83	TH	1X	1,091
107-D	2,753.18	TH	4	1,583
107-E	2,753.18	TH	4	1,583
107-F	2,143.83	TH	1X	1,091
107-G	2,137.64	TH	1Y	1,086
107-H	2,753.18	TH	4	1,583
108-A	2,458.41	TH	3	1,345
108-B	2,161.17	TH	1	1,105
108-C	2,753.18	TH	4	1,583
108-D	2,753.18	TH	4	1,583
108-E	2,161.17	TH	1	1,105
108-F	2,458.41	TH	3	1,345
109-A	2,753.18	TH	4	1,583
109-B	2,137.64	TH	1Y	1,086
109-C	2,143.83	TH	1X	1,091
109-D	2,137.64	TH	1Y	1,086
109-E	2,143.83	TH	1X	1,091
109-F	2,161.17	TH	1	1,105
109-G	2,753.18	TH	4	1,583
109-H	2,753.18	TH	4	1,583
109-I	2,161.17	TH	1	1,105
109-J	2,143.83	TH	1X	1,091
109-K	2,137.64	TH	1Y	1,086
109-L	2,161.17	TH	1	1,105
109-M	2,161.17	TH	1	1,105
109-N	2,753.18	TH	4	1,583
109-O	2,753.18	TH	4	1,583
109-P	2,137.64	TH	1Y	1,086
109-Q	2,143.83	TH	1X	1,091
109-R	2,137.64	TH	1Y	1,086
109-S	2,143.83	TH	1X	1,091
109-T	2,161.17	TH	1	1,105
109-U	2,753.18	TH	4	1,583
109-V	2,753.18	TH	4	1,583

Backup Special Tax Table

NTC - UNIT No. 2 (Condo's)

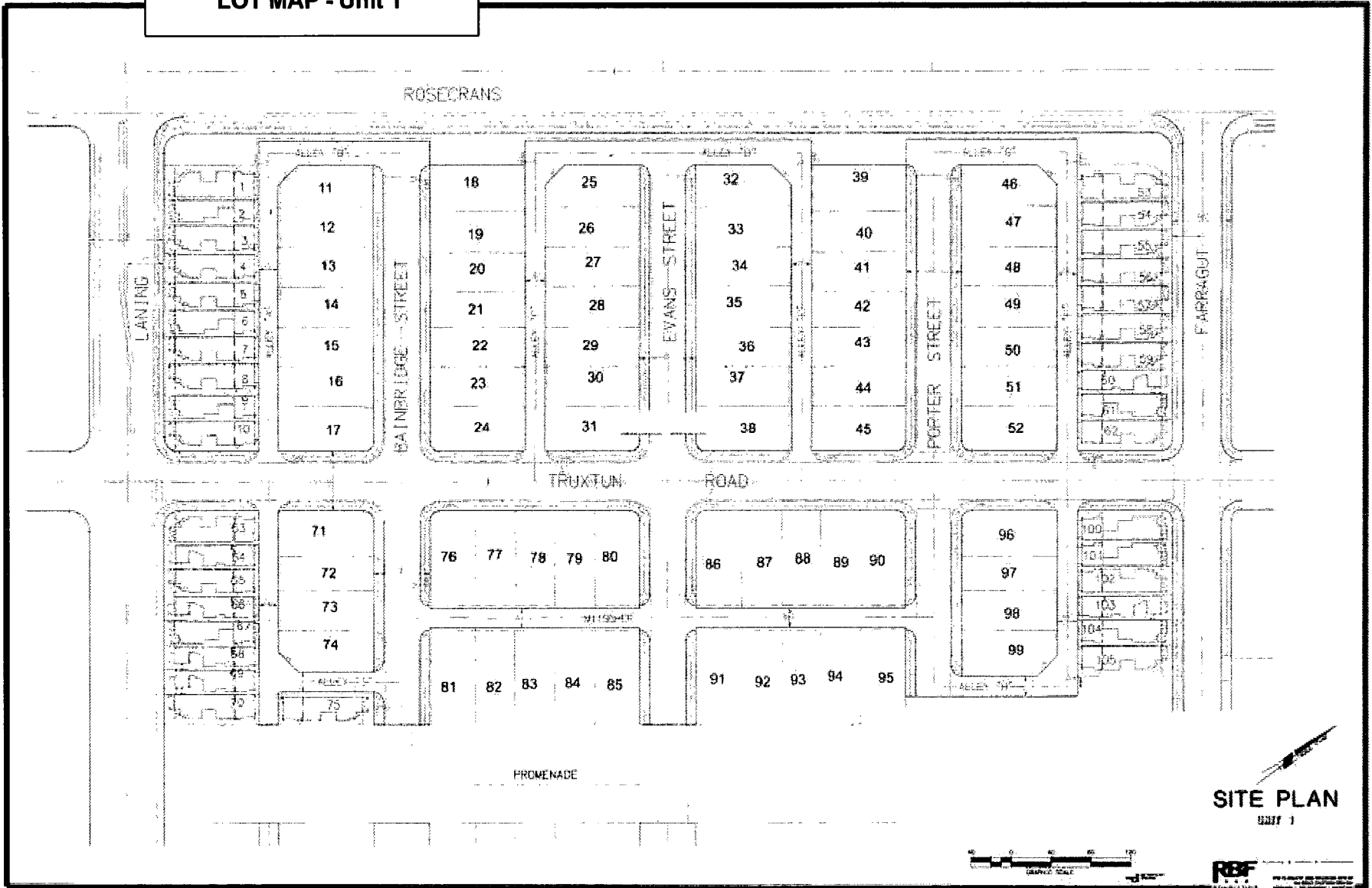
Lot Number	Backup Special Tax	SFD, ROW or TH	Plan Number	Plan Sq. Ft.
109-W	2,161.17	TH	1	1,105
109-X	2,143.83	TH	1X	1,091
109-Y	2,137.64	TH	1Y	1,086
109-Z	2,161.17	TH	1	1,105
109-A1	2,161.17	TH	1	1,105
109-B1	2,753.18	TH	4	1,583
110-A	2,753.18	TH	4	1,583
110-B	2,161.17	TH	1	1,105
110-C	2,137.64	TH	1Y	1,086
110-D	2,143.83	TH	1X	1,091
110-E	2,161.17	TH	1	1,105
110-F	2,753.18	TH	4	1,583
110-G	2,753.18	TH	4	1,583
110-H	2,161.17	TH	1	1,105
110-I	2,143.83	TH	1X	1,091
110-J	2,137.64	TH	1Y	1,086
110-K	2,161.17	TH	1	1,105
110-L	2,753.18	TH	4	1,583
111-A	2,753.18	TH	4	1,583
111-B	2,137.64	TH	1Y	1,086
111-C	2,143.83	TH	1X	1,091
111-D	2,458.41	TH	3	1,345
111-E	2,458.41	TH	3	1,345
111-F	2,161.17	TH	1	1,105
111-G	2,753.18	TH	4	1,583
111-H	2,753.18	TH	4	1,583
111-I	2,161.17	TH	1	1,105
111-J	2,458.41	TH	3	1,345
111-K	2,458.41	TH	3	1,345
111-L	2,143.83	TH	1X	1,091
111-M	2,137.64	TH	1Y	1,086
111-N	2,753.18	TH	4	1,583
112-A	2,753.18	TH	4	1,583
112-B	2,143.83	TH	1X	1,091
112-C	2,137.64	TH	1Y	1,086
112-D	2,458.41	TH	3	1,345
112-E	2,458.41	TH	3	1,345
112-F	2,137.64	TH	1Y	1,086
112-G	2,143.83	TH	1X	1,091
112-H	2,161.17	TH	1	1,105
112-I	2,753.18	TH	4	1,583
112-J	2,753.18	TH	4	1,583
112-K	2,161.17	TH	1	1,105
112-L	2,143.83	TH	1X	1,091
112-M	2,137.64	TH	1Y	1,086
112-N	2,458.41	TH	3	1,345
112-O	2,458.41	TH	3	1,345
112-P	2,137.64	TH	1Y	1,086

Backup Special Tax Table

NTC - UNIT No. 2 (Condo's)

<u>Lot Number</u>	<u>Backup Special Tax</u>	<u>SFD, ROW or TH</u>	<u>Plan Number</u>	<u>Plan Sq. Ft.</u>
112-Q	2,143.83	TH	1X	1,091
112-R	2,753.18	TH	4	1,583
113-A	2,753.18	TH	4	1,583
113-B	2,161.17	TH	1	1,105
113-C	2,143.83	TH	1X	1,091
113-D	2,137.64	TH	1Y	1,086
113-E	2,161.17	TH	1	1,105
113-F	2,458.41	TH	3	1,345
113-G	2,458.41	TH	3	1,345
113-H	2,161.17	TH	1	1,105
113-I	2,137.64	TH	1Y	1,086
113-J	2,143.83	TH	1X	1,091
113-K	2,161.17	TH	1	1,105
113-L	2,753.18	TH	4	1,583
114-A	2,753.18	TH	4	1,583
114-B	2,143.83	TH	1X	1,091
114-C	2,137.64	TH	1Y	1,086
114-D	2,753.18	TH	4	1,583
114-E	2,753.18	TH	4	1,583
114-F	2,137.64	TH	1Y	1,086
114-G	2,143.83	TH	1X	1,091
114-H	2,753.18	TH	4	1,583
115-A	2,753.18	TH	4	1,583
115-B	2,161.17	TH	1	1,105
115-C	2,143.83	TH	1X	1,091
115-D	2,137.64	TH	1Y	1,086
115-E	2,143.83	TH	1X	1,091
115-F	2,137.64	TH	1Y	1,086
115-G	2,458.41	TH	3	1,345
115-H	2,458.41	TH	3	1,345
115-I	2,161.17	TH	1	1,105
115-J	2,161.17	TH	1	1,105
115-K	2,137.64	TH	1Y	1,086
115-L	2,143.83	TH	1X	1,091
115-M	2,161.17	TH	1	1,105
115-N	2,753.18	TH	4	1,583
116-A	2,458.41	TH	3	1,345
116-B	2,137.64	TH	1Y	1,086
116-C	2,143.83	TH	1X	1,091
116-D	2,753.18	TH	4	1,583
116-E	2,753.18	TH	4	1,583
116-F	2,143.83	TH	1X	1,091
116-G	2,137.64	TH	1Y	1,086
116-H	2,458.41	TH	3	1,345
<u>140</u>	<u>\$331,756.83</u>			<u>178,271</u>

**Liberty Station
LOT MAP - Unit 1**

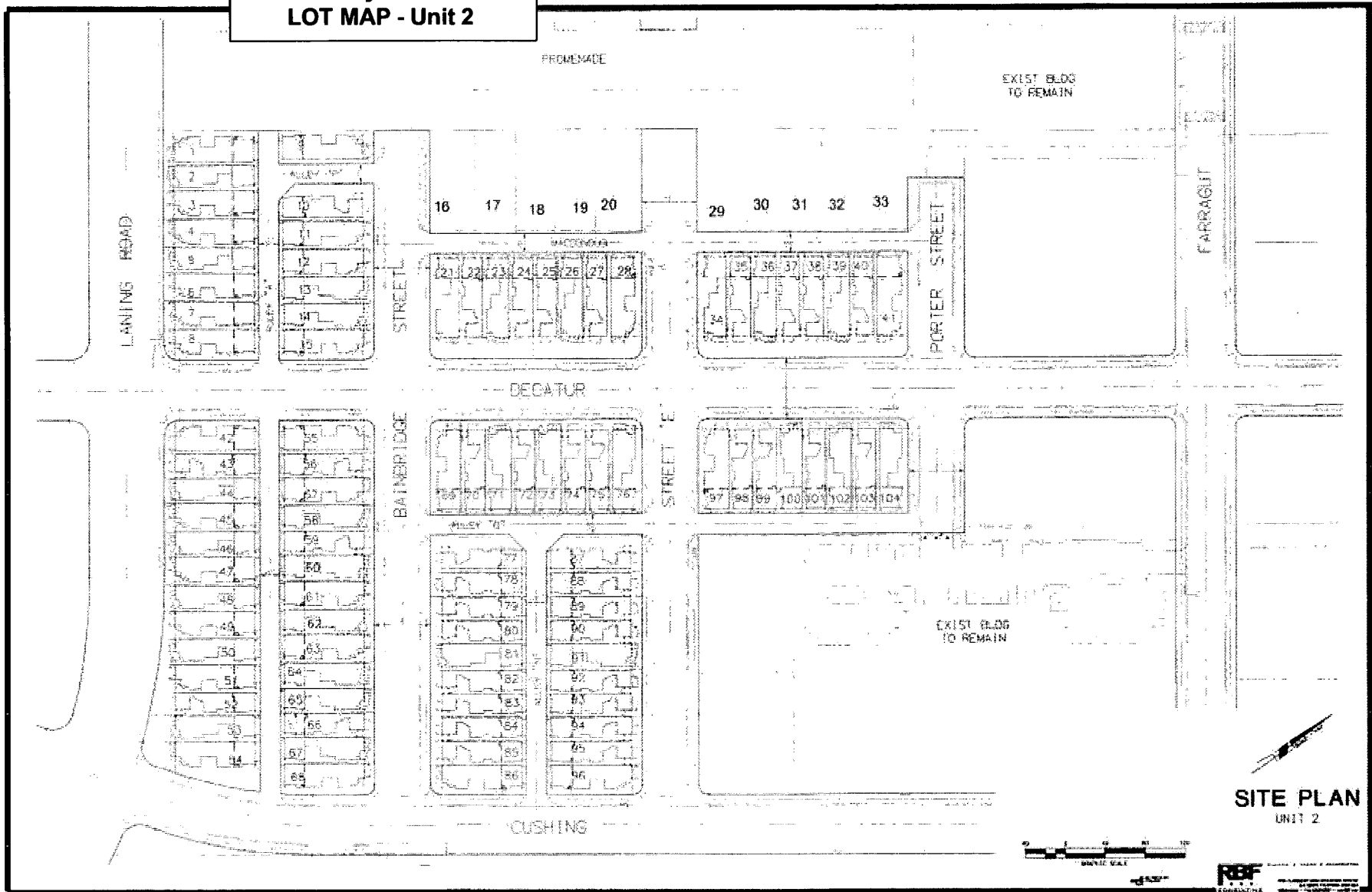


2-296472

SITE PLAN
UNIT 1

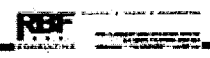


**Liberty Station
LOT MAP - Unit 2**



R- 296472

SITE PLAN
UNIT 2



**RATE AND METHOD OF APPORTIONMENT FOR
IMPROVEMENT AREA NO. 2 OF
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)**

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Improvement Area No. 2 of Community Facilities District No. 3 ("IA No. 2") and collected each Fiscal Year commencing in Fiscal Year 2002-2003, in an amount determined by the Council through the application of the appropriate Special Tax for "Developed Property," "Other Taxable Property," and "Undeveloped Property" as described below. All of the real property in IA No. 2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

This Rate and Method of Apportionment employs terms defined below and terms defined in the Rate and Method of Apportionment for Improvement Area No. 1. When necessary, terms defined in the latter shall be distinguished from terms defined in the former by including the words "IA No. 1" prior to the defined term. The terms hereinafter set forth have the following meanings:

"Acre or Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County parcel map. The square footage of an Assessor's Parcel is equal to the Acreage multiplied by 43,560.

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

"Administrative Expenses" means the following actual or reasonably estimated costs directly related to the administration of CFD No. 3: the costs of computing the Special Taxes and IA No. 1 Special Taxes; the costs of preparing the annual Special Tax and IA No. 1 Special Tax collection schedules (whether by the City or designee thereof or both); the costs of collecting the Special Taxes and IA No. 1 Special Taxes (whether by the City, the County or otherwise); the costs of remitting the Special Taxes and IA No. 1 Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the City, CFD No. 3 or any designee thereof of complying with arbitrage rebate requirements; the costs to the City, CFD No. 3 or any designee thereof of complying with disclosure requirements of the City, CFD No. 3 or obligated persons associated with applicable federal and state securities laws and the Act; the costs associated with preparing Special Tax and/or IA No. 1 Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes and/or IA No. 1 Special Taxes; the costs of the City, of CFD No. 3 or any designee thereof related to an appeal of the Special Tax and/or the IA No. 1 Special Tax; the costs associated with the

release of funds from an escrow account; and the City's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the City or CFD No. 3 for any other administrative purposes of CFD No. 3, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes and/or IA No. 1 Special Taxes.

"Agency" means the Redevelopment Agency of the City.

"Agency Certificate of Completion" shall have the meaning set forth in the Disposition and Development Agreement.

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

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

"Assigned Special Tax" means the Special Tax for each Land Use Class of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"CFD Administrator" means an official of the City, or designee thereof, responsible for determining the Special Tax Requirement and for levying and collecting the Special Taxes.

"CFD No. 3" means Community Facilities District No. 3 of the City.

"CFD No. 3 Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 3 under the Act.

"City" means the City of San Diego.

"City/Agency Property" means any Assessor's Parcel or other property within the boundaries of IA No. 2 that is owned by the City or the Agency, provided however that so long as any such Assessor's Parcel is conveyed through a leasehold interest to an entity other than the City or the Agency such Assessor's Parcel shall not be considered City/Agency Property, but during the duration of the leasehold interest shall be classified and taxed according to its development status and land use. In the event that an Assessor's Parcel that was conveyed in fee to an entity other than the City or the Agency includes an existing residential or non-residential building or a Planned Building, and is subsequently acquired by the City or the Agency pursuant to Section 9.10 of the Disposition and Development Agreement or otherwise, that Assessor's Parcel shall not be considered City/Agency Property, but shall remain subject to the Special Tax obligation and shall be classified and taxed according to its development status and land use.

"City Clerk" means the city clerk of the City.

"City Manager" means the city manager of the City.

"Council" means the City Council of the City, acting as the legislative body of CFD No. 3.

"County" means the County of San Diego.

"Developed Property" means for each Fiscal Year, all Taxable Property, exclusive of Other Taxable Property, which (a) was within a Final Map that was recorded prior to January 1 of the previous Fiscal Year, and either (b1) for which a building permit for new construction was issued after March 1, 2001 but prior to March 1 of the previous Fiscal Year or (b2) for which an Agency Certificate of Completion was executed prior to March 1 of the previous Fiscal Year.

"Disposition and Development Agreement" means the Disposition and Development Agreement between the Agency and the Master Developer that was approved by the Council and Agency on June 26, 2000, as it may be modified or supplemented from time to time.

"Final Map" means (i) a final map, lot line adjustment, or parcel map, or portion thereof, approved by the City pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*) and recorded with the County Recorder that creates individual lots for which building permits may be issued, or (ii) for condominiums, a final map, or portion thereof, approved by the City and a condominium plan recorded pursuant to California Civil Code Section 1352 that creates individual lots for which building permits may be issued. The term "Final Map" shall not include any Assessor's Parcel Map or subdivision map or portion thereof, that does not create individual lots for which a building permit may be issued, including Assessor's Parcels that are designated as remainder parcels.

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

"Floor Area" means for Non-Residential Property, the total of the gross area of the floor surfaces within the exterior wall of the building, not including space devoted to stairwells, basement storage, required corridors, public restrooms, elevator shafts, light courts, vehicle parking and areas incident thereto, mechanical equipment incidental to the operation of such building, and covered public pedestrian circulation areas, including atriums, lobbies, plazas, patios, decks, arcades and similar areas, except such public circulation areas or portions thereof that are used solely for commercial purposes. For Residential Property, Floor Area means all of the square footage of living area within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, or similar area. The amount of Floor Area shall be determined by reference to the building permit(s) issued by the City or Agency Certificate of Completion(s), as applicable, issued for each building, or if square footage is not available from those sources, as otherwise determined by the CFD Administrator.

"Free Standing Parking Property" means any Assessor's Parcel within IA No. 2 that is not Public Property and for which a building permit has been issued for the construction of, or on which is located, a garage, parking lot or parking structure, provided however that any such

Assessor's parcel that includes an existing residential or non-residential building or a Planned Building shall not be considered Free Standing Parking Property, but shall be classified and taxed according to its development status and land use.

"Golf Course Property" means any Assessor's Parcel within Zone 1 that is used for golf course purposes, including fairways, greens and driving ranges. Any Developed Property (other than buildings used solely for restrooms, storage, or maintenance) located on such Assessor's Parcel shall not be considered Golf Course Property, but shall be taxed and classified in accordance with its Land Use Class.

"Hotel Property" means all Developed Property within Zone 3 for which a building permit or an Agency Certificate of Completion has been issued for building a non-residential structure that constitutes a place of lodging that is intended to provide sleeping accommodations and related facilities for travelers.

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which CFD No. 3 Bonds are issued, as modified, amended and/or supplemented from time to time, and any instrument replacing or supplementing the same.

"Improvement Area No. 1" or "IA No. 1" means Improvement Area No. 1 of CFD No. 3, as identified on the boundary map for CFD No. 3.

"Improvement Area No. 2" or "IA No. 2" means Improvement Area No. 2 of CFD No. 3, as identified on the boundary map for CFD No. 3.

"Land Use Class" means any of the classes listed in Tables 1 through 3.

"Master Developer" means McMillin-NTC, LLC and/or any assignee(s) or successor(s) serving as the master developer of infrastructure within CFD No. 3.

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Developed Property for which a building permit(s) or Agency Certificate of Completion was issued for a non-residential use, excluding Hotel Property.

"Outstanding Bonds" means all CFD No. 3 Bonds which are deemed to be outstanding under the Indenture.

"Other Public Property" means any Assessor's Parcel within the boundaries of IA No. 2 that is owned in fee or through a leasehold interest by any agency of the federal government, the State, the County, or any other public agency except the City or the Agency, provided however that any such Assessor's Parcel that includes an existing residential or non-residential building or a Planned Building shall not be considered Other Public Property, but shall be classified and taxed according to its development status and land use.

"Other Taxable Property" means Taxable City/Agency Property, Taxable Free Standing Parking Property, Taxable Golf Course Property, Taxable Property Owner Association Property, and Taxable Other Public Property.

"Planned Building" means with respect to an Assessor's Parcel that the Precise Plan contemplates the rehabilitation or construction of a residential or non-residential building within all or a portion of such Assessor's Parcel, as determined by the CFD Administrator.

"Precise Plan" means the NTC Precise Plan dated October 3, 2000, approved by the Agency and the City, as it may be amended or superceded.

"Property Owner Association Property" means any property within the boundaries of IA No. 2 owned in fee or by easement or irrevocably offered for dedication to a property owner association, including any master or sub-association. However, notwithstanding the above, any of such property which constitutes the "pad-area" located directly under a residential or occupied non-residential building shall not be considered Property Owner Association Property.

"Proportionately" or "Proportionate" means, (i) for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property and for IA No. 1 Developed Property that the ratio of the actual IA No. 1 Special Tax levy to the IA No. 1 Assigned Special Tax is equal for all Assessor's Parcels of IA No. 1 Developed Property; (ii) for Undeveloped Property, that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property and the ratio of the actual IA No. 1 Special Tax per Acre to the IA No. 1 Maximum Special Tax per Acre is equal for all Assessor's Parcels of IA No. 1 Undeveloped Property; and (iii) for Other Taxable Property that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Other Taxable Property and for IA No. 1 Other Taxable Property that the ratio of the actual IA No. 1 Special Tax levy per Acre to the IA No. 1 Maximum Special Tax per Acre is equal for all Assessor's Parcels of IA No. 1 Other Taxable Property. Where this RMA requires pursuant to the fourth and fifth steps in Section D.1, the second, third and fourth steps in Section D.2, and/or Section D.3, that the levy of Special Taxes and IA No. 1 Special Taxes be "Proportionate" for a category of property described in (i), (ii) or (iii) above, then the foregoing ratios shall be equal as between IA No.1 and IA No. 2 for such category.

"Purchase and Finance Agreement" means the Purchase and Finance Agreement for CFD No. 3 that was approved by the Council on May 7, 2002, as it may be modified or supplemented from time to time.

"Residential Property" means all Developed Property for which a building permit or Agency Certificate of Completion was issued for one or more residential dwelling units.

"RMA" means Rate and Method of Apportionment.

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property, Other Taxable Property, and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year to: (i) pay debt service due in the calendar year which commences in such Fiscal Year on all Outstanding Bonds; (ii) pay periodic costs on the CFD No. 3 Bonds, including but not limited to, credit enhancement and rebate payments on the CFD No. 3 Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) accumulate funds to pay directly for acquisition or construction of facilities identified on Exhibit A to the Purchase and Finance Agreement to the extent that the inclusion of such amount does not increase the Special Tax levy on Undeveloped Property or the IA No. 1 Special Tax levy on Undeveloped Property; and (vi) pay for reasonably anticipated delinquent Special Taxes and IA No. 1 Special Taxes based on the delinquency rate for Special Taxes and IA No. 1 Special Taxes levied in the previous Fiscal Year; less (vii) a credit for funds available to reduce the annual Special Tax levy and IA No. 1 Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

"State" means the State of California.

"Taxable City/Agency Property" means all Assessor's Parcels of City/Agency Property that are not exempt pursuant to Section E below.

"Taxable Other Public Property" means all Assessor's Parcels of Other Public Property that are not exempt pursuant to Section E below.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of IA No. 2 which (i) have been conveyed in fee ownership or leasehold interest from the City and/or the Agency to an entity other than the City or the Agency, or that were so conveyed in fee ownership by the City and/or the Agency and were subsequently reacquired by the City and/or the Agency, and (ii) are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Free Standing Parking Property" means all Assessor's Parcels of Free Standing Parking Property that are not exempt pursuant to Section E below.

"Taxable Golf Course Property" means all Assessor's Parcels of Golf Course Property that are not exempt pursuant to Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property or Other Taxable Property.

"Zone" means Zone 1, Zone 2, or Zone 3, as applicable

"Zone 1" means all property within Zone 1 (Existing Non-Residential), as identified on the Zone Map.

"Zone 2" means all property within Zone 2 (Future Non-Residential), as identified on the Zone Map.

"Zone 3" means all property within Zone 3 (Hotel), as identified on the Zone Map.

"Zone Map" means Attachment A to this RMA.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, each Assessor's Parcel of Taxable Property within IA No. 2 shall be assigned to a Zone and further classified as Developed Property, Other Taxable Property, or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential Property shall be assigned to Land Use Class 1. Non-Residential Property shall be assigned to Land Use Class 2. Hotel Property shall be assigned to Land Use Class 3.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

b. Assigned Special Tax

i. The Assigned Special Tax for each Land Use Class in Zone 1 is shown below in Table 1:

TABLE 1

**Assigned Special Taxes for Developed Property
Zone 1**

Land Use Class	Land Use	Assigned Special Tax
1	Residential Property	\$792.63 per dwelling unit, plus \$1.2385 per square foot of Floor Area
2	Non-Residential Property	\$0.4550 per square foot of Floor Area

- ii. The Assigned Special Tax for each Land Use Class in Zone 2 is shown below in Table 2:

TABLE 2

**Assigned Special Taxes for Developed Property
Zone 2**

Land Use Class	Land Use	Assigned Special Tax
1	Residential Property	\$792.63 per dwelling unit, plus \$1.2385 per square foot of Floor Area
2	Non-Residential Property	\$1.1026 per square foot of Floor Area

- iii. The Assigned Special Tax for each Land Use Class in Zone 3 is shown below in Table 3:

TABLE 3

**Assigned Special Taxes for Developed Property
Zone 3**

Land Use Class	Land Use	Assigned Special Tax
1	Residential Property	\$792.63 per dwelling unit, plus \$1.2385 per square foot of Floor Area
2	Non-Residential Property	\$0.4550 per square foot of Floor Area
3	Hotel Property	\$253.51 per room

c. Backup Special Tax

i. Zone 1

The Backup Special Tax for an Assessor's Parcel of Developed Property within Zone 1 shall equal \$14,882 per Acre.

ii. Zone 2

The Backup Special Tax for an Assessor's Parcel of Developed Property within Zone 2 shall equal \$53,053 per Acre.

iii. Zone 3

The Backup Special Tax for an Assessor's Parcel of Developed Property within Zone 3 shall equal \$9,592 per Acre.

d. Multiple Land Use Classes

In some instances an Assessor's Parcel of Developed Property may contain more than one Land Use Class. The Assigned Special Tax levied on an Assessor's Parcel shall be the sum of the Assigned Special Taxes for all Land Use Classes located on that Assessor's Parcel. The Maximum Special Tax that can be levied on an Assessor's Parcel shall be the sum of the Maximum Special Taxes that can be levied for all Land Use Classes located on that Assessor's Parcel. For an Assessor's Parcel that contains both Residential Property and Non-Residential Property, the Acreage of such Assessor's Parcel shall be allocated to each type of property based on the amount of Acreage designated for each Land Use Class as determined by reference to the site plan approved for such Assessor's Parcel. The CFD Administrator's allocation to each type of property shall be final.

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2. Other Taxable Property and Undeveloped Property

a. Zone 1

The Maximum Special Tax for Other Taxable Property and Undeveloped Property within Zone 1 shall be \$14,882 per Acre.

b. Zone 2

The Maximum Special Tax for Other Taxable Property and Undeveloped Property within Zone 2 shall be \$53,053 per Acre.

c. Zone 3

The Maximum Special Tax for Other Taxable Property and Undeveloped Property within Zone 3 shall be \$9,592 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

For each Fiscal Year the Council shall determine the Special Tax Requirement and levy the Special Tax, taking into consideration the levy of the IA No. 1 Special Tax, until the amount of Special Taxes and IA No. 1 Special Taxes equals the Special Tax Requirement. The Special Tax shall be levied each Fiscal Year as follows. The steps indicated in Section D.1 shall be applied in each Fiscal Year prior to and including the Fiscal Year in which a second series of CFD No. 3 Bonds is sold to finance facilities identified on Exhibit A to the Purchase and Finance Agreement. The steps indicated in Section D.2 shall be applied in the first Fiscal Year after the issuance of such second series of CFD No. 3 Bonds, and each Fiscal Year thereafter. A series of CFD No. 3 Bonds that is issued solely to refund a prior series of CFD No. 3 Bonds shall not be considered a second series of CFD No. 3 Bonds for purposes of this section.

1. Prior to the Issuance of the Second Series of CFD No. 3 Bonds

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied on each Assessor's Parcel of IA No. 1 Developed Property in an amount equal to 100% of the applicable IA No. 1 Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied Proportionately on each Assessor's Parcel of IA No. 1 Undeveloped Property at up to 100% of the IA No. 1 Maximum Special Tax for Undeveloped Property;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel; and the Council shall be notified that under the terms of the IA No. 1 RMA, the levy of the IA No. 1 Special Tax on each Assessor's Parcel of IA No. 1 Developed Property whose IA No. 1 Maximum Special Tax is determined through the application of the IA No. 1 Backup Special Tax shall be increased in equal percentages from the IA No. 1 Assigned Special Tax up to the IA No. 1 Maximum Special Tax for each such Assessor's Parcel, with the levy on Developed Property and IA No. 1 Developed Property being Proportionate;

Fifth: If additional monies are needed to satisfy the Special Tax Requirement after the first four steps have been completed, then the Special Tax shall be levied on each Assessor's Parcel of Other Taxable Property at up to the Maximum Special Tax for Other Taxable Property; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied on each Assessor's Parcel of IA No. 1 Other Taxable Property at up to the IA No. 1 Maximum Special Tax for Other Taxable Property, with the levy on Other Taxable Property and IA No. 1 Other Taxable Property being Proportionate.

2. After the Issuance of the Second Series of CFD No. 3 Bonds

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to 100% of the applicable Assigned Special Tax; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied on each Assessor's Parcel of IA No. 1 Developed Property in an amount equal to 100% of the applicable IA No. 1 Assigned Special Tax;

Second: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied on each Assessor's Parcel of IA No. 1 Undeveloped Property at up to 100% of the IA No. 1 Maximum Special Tax for Undeveloped Property, with the levy on Undeveloped Property and IA No. 1 Undeveloped Property being Proportionate;

Third: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel; and the Council shall be notified that under the terms of the IA No. 1 RMA, the levy of the IA No. 1 Special Tax on each Assessor's Parcel of IA No. 1 Developed Property whose IA No. 1 Maximum Special Tax is determined through the application of the IA No. 1 Backup Special Tax shall be increased in equal percentages from the IA No. 1 Assigned Special Tax up to the IA No. 1 Maximum Special Tax for each such Assessor's Parcel, with the levy on Developed Property and IA No. 1 Developed Property being Proportionate;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied on each Assessor's Parcel of Other Taxable Property at up to the Maximum Special Tax for Other Taxable Property; and the Council shall be notified that under the terms of the IA No. 1 RMA, the IA No. 1 Special Tax shall be levied on each Assessor's Parcel of IA No. 1 Other Taxable Property at up to the IA No. 1 Maximum Special Tax for Other Taxable Property, with the levy on Other Taxable Property and IA No. 1 Other Taxable Property being Proportionate.

3. Additional Levy Guidelines

Notwithstanding the above the Council may, in any Fiscal Year, levy Proportionately less than 100% of the Assigned Special Tax in step one of Section D.1 or D.2 (above) and the IA No. 1 Assigned Special Tax in step one of Section D.1 or D.2 (of the IA No. 1 RMA), when (i) the Council is no longer required to levy a Special Tax pursuant to step two in Section D.2 (above) and the Council is no longer required to levy an IA No. 1 Special Tax pursuant to step two in Section D.1 or D.2 of the IA No. 1 RMA in order to meet the Special Tax Requirement; (ii) all authorized CFD No. 3 Bonds have already been issued or the Council has covenanted that it will not issue any additional CFD No. 3 Bonds (except refunding bonds) to be supported by Special Taxes and IA No. 1 Special Taxes; and (iii) all facilities identified on Exhibit A to the Purchase and Finance Agreement have been acquired.

Further notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Residential Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 3.

E. EXEMPTIONS

No Special Tax shall be levied on property that is not located in a Zone. No Special Tax shall be levied on up to 122.36 Acres of City/Agency Property, Free Standing Parking Property, Other Public Property, and/or Property Owner Association Property that is within a

Zone and up to 18.04 Acres of Golf Course Property that is within a Zone. However, the Acreage of any City/Agency Property that has never been conveyed in fee ownership or leasehold interest from the City and/or the Agency to an entity other than the City or the Agency shall not be included in the 122.36 Acres, and such property shall be considered exempt. For all other property that is within a Zone, tax-exempt status will be assigned by the CFD Administrator in chronological order in which property becomes City/Agency Property, Free Standing Parking Property, Other Public Property, Property Owner Association Property, or Golf Course Property. However, should an Assessor's Parcel that is within a Zone no longer be classified as City/Agency Property, Free Standing Parking Property, Other Public Property, Property Owner Association Property, Public Property, or Golf Course Property its tax-exempt status will be revoked.

City/Agency Property, Free Standing Parking Property, Other Public Property, Property Owner Association Property, or Golf Course Property that is within a Zone that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed as described in Section D above, at up to 100% of the applicable Maximum Special Tax for Other Taxable Property.

F. APPEALS AND INTERPRETATIONS

Any tax payer may file a written appeal of the Special Tax on his/her property with the CFD Administrator, provided that the appellant is current in his/her payments of Special Taxes. During the pendency of an appeal, all Special Taxes previously levied must be paid on or before the payment date established when the levy was made. The appeal must specify the reasons why the appellant claims the Special Tax is in error. The CFD Administrator shall review the appeal, meet with the appellant if the CFD Administrator deems necessary, and advise the appellant of its determination. If the CFD Administrator agrees with the appellant, the CFD Administrator shall make a recommendation to the City Manager or designee to eliminate or reduce the Special Tax on the appellant's property and/or to provide a refund to the appellant. The approval of the City Manager or designee must be obtained prior to any such elimination or reduction. If the CFD Administrator disagrees with the appellant and the appellant is dissatisfied with the determination, the appellant then has 30 days in which to appeal to the City Manager or designee by filing a written notice of appeal with the City Clerk, provided that the appellant is current in his/her payments of Special Taxes. The second appeal must specify the reasons for its disagreement with the CFD Administrator's determination.

Interpretations may be made by the Council by ordinance or resolution for purposes of clarifying any vagueness or ambiguity in this Rate and Method of Apportionment.

G. MANNER OF COLLECTION

The Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 3 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The following definition applies to this Section H:

"CFD Public Facilities" means either \$20,780,000 in 2001 dollars, which shall increase by the Construction Inflation Index on July 1, 2002, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the public facilities to be provided by CFD No. 3 under the authorized Mello-Roos financing program for CFD No. 3, or (ii) shall be determined by the Council concurrently with a covenant that it will not issue any more CFD No. 3 Bonds (except refunding bonds) to be supported by Special Taxes and IA No. 1 Special Taxes.

"Construction Fund" means the account (regardless of its name) identified in the Indenture to hold funds which are currently available for expenditure to acquire or construct public facilities eligible under the Act.

"Construction Inflation Index" means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

"Future Facilities Costs" means the CFD Public Facilities minus (i) public facility costs previously paid from the Construction Fund, (ii) moneys currently on deposit in the Construction Fund, and (iii) moneys currently on deposit in an escrow fund that are expected to be available to finance public facility costs.

"Outstanding Bonds" means all Previously Issued Bonds which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year.

"Previously Issued Bonds" means all CFD No. 3 Bonds that have been issued prior to the date of prepayment.

Only an Assessor's Parcel of Developed Property, or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued, may prepay its Special Tax obligation.

The Special Tax obligation applicable to an Assessor's Parcel in CFD No. 3 may be prepaid and the obligation of the Assessor's Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor's Parcel only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Special Tax obligation shall provide the CFD Administrator with written notice of intent to prepay. The CFD Administrator shall provide the owner with a statement of the prepayment amount for such Assessor's Parcel within thirty (30) days of the request and may

charge a reasonable fee for providing this service. Prepayment must be made not less than 60 days prior to any redemption date for the CFD No. 3 Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax. For Assessor's Parcels of Undeveloped Property for which a building permit has been issued, compute the Assigned Special Tax and Backup Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the building permit which has already been issued for that Assessor's Parcel.
3. (a) Divide the Assigned Special Tax computed pursuant to paragraph 2 by the total estimated Assigned Special Taxes for the entire CFD No. 3 based on the Developed Property Special Taxes and IA No. 1 Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 3 as determined by the CFD Administrator based on the Precise Plan and other information currently available, excluding any Assessor's Parcels which have been prepaid, and

(b) Divide the Backup Special Tax computed pursuant to paragraph 2 by the total estimated Backup Special Taxes and IA No. 1 Backup Special Taxes at buildout for the entire CFD No. 3 as determined by the CFD Administrator based on the Precise Plan and other information currently available, excluding any Assessor's Parcels which have been prepaid.
4. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").

5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Amount").
8. Compute the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds.
9. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Compute the minimum amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Amount and the Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
11. Add the amounts computed pursuant to paragraphs 8 and 9 and subtract the amount computed pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of CFD No. 3, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming CFD No. 3 Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the "Administrative Fees and Expenses").
13. The reserve fund credit ("Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3(a) or 3(b) by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the "Capitalized Interest Credit").

15. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 11 and 12, less the amounts computed pursuant to paragraphs 13 and 14 (the "Prepayment Amount").
16. From the Prepayment Amount, the amounts computed pursuant to paragraphs 4, 5, 11, 13 and 14 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make debt service payments. The amount computed pursuant to paragraph 7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 12 shall be retained by CFD No. 3.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of CFD No. 3 Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next prepayment of CFD No. 3 Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax levy as determined under paragraph 9 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid in full, the CFD Administrator shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes and IA No. 1 Maximum Special Taxes that may be levied on Taxable Property and IA No. 1 Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

- PP = the partial prepayment
- P_E = the Prepayment Amount calculated according to Section H.1
- F = the percentage by which the owner of the Assessor's Parcel(s) is partially prepaying the Special Tax.

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner

with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service.

With respect to any Assessor's Parcel that is partially prepaid, the City shall (i) distribute the funds remitted to it according to Section H.1, and (ii) indicate in the records of CFD No. 3 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Annual Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a period not to exceed forty years commencing with Fiscal Year 2002-2003, provided however that Special Taxes will cease to be levied in an earlier Fiscal Year if the CFD Administrator has determined (i) that all required interest and principal payments on the CFD No. 3 Bonds have been paid; (ii) all facilities have been acquired and all reimbursements to the Master Developer have been paid pursuant to the Purchase and Finance Agreement; and (iii) all required Administrative Expenses have been paid.

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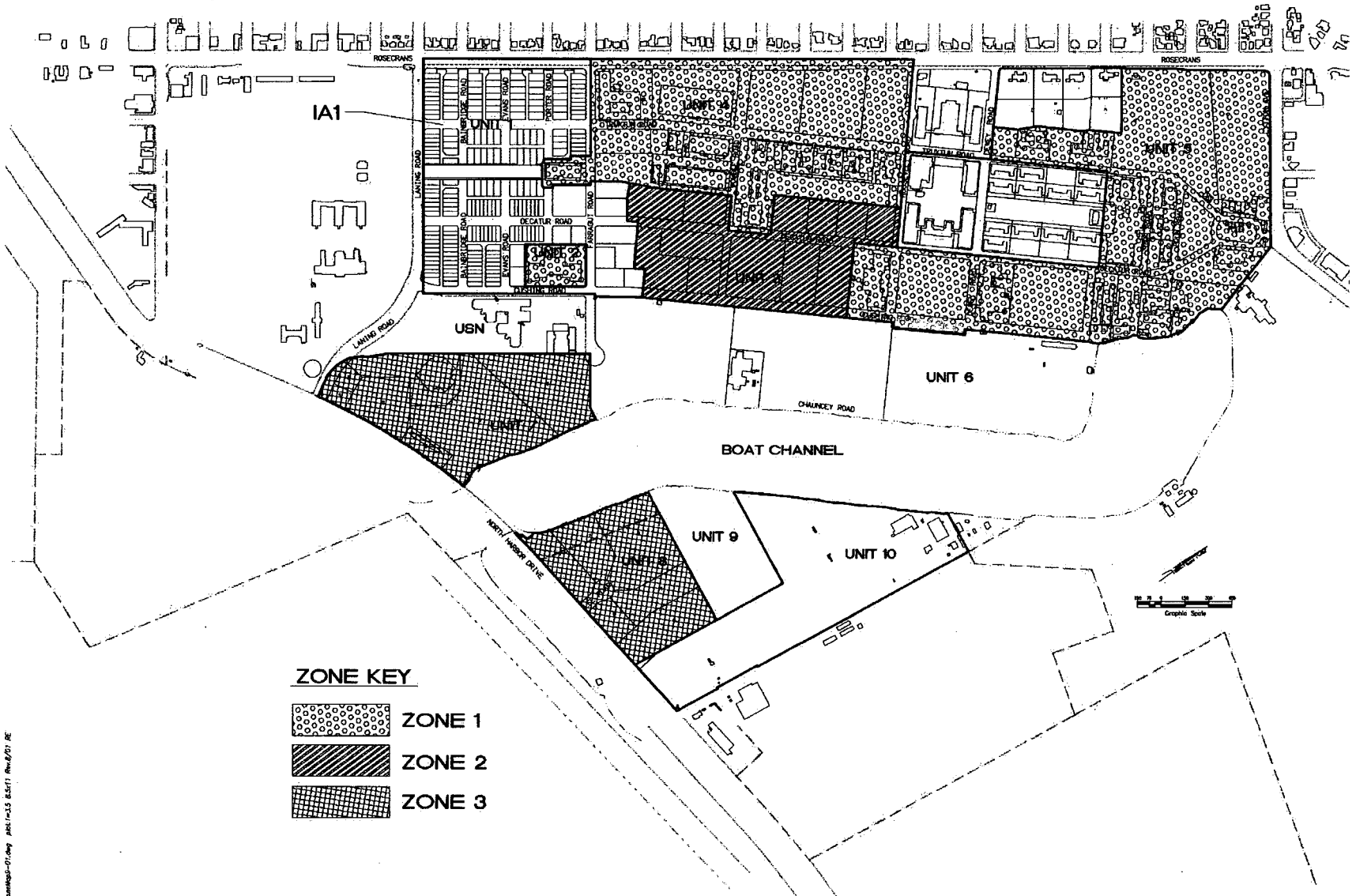
ATTACHMENT A

ZONE MAP

R- 296472

2-296472

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September 2001 City of San Diego CFD No. 3 Improvement Area 2 Tax Zone Map