

**RATE AND METHOD OF APPORTIONMENT OF A SPECIAL TAX FOR
COMMUNITY FACILITIES DISTRICT NO. 97-1 OF THE
TUSTIN UNIFIED SCHOOL DISTRICT**

The Board of Education of the Tustin Unified School District (the "Board") sitting as the legislative body of the Community Facilities District No. 97-1 of Tustin Unified School District ("CFD No. 97-1"), shall levy and collect a special tax (the "Special Tax") which, pursuant to the procedures and terms described below, is applicable to each taxable Assessor's Parcel located within the boundaries of CFD No. 97-1. The Special Tax shall be levied to pay for or finance certain school and related facilities, to pay incidental expenses, to create and replenish reserves and to provide funds for debt service on obligations of CFD No. 97-1 as described herein, the proceeds of which will be used to finance the acquisition and construction of school sites and related facilities. The Special Tax will be levied at the applicable rate for Developed Property, as hereinafter defined, or Undeveloped Property as hereinafter defined. Each Assessor's Parcel which is Developed Property shall be assigned to a land use class ("Class") of property as described below and taxes at the applicable rate for that Class. Those parcels which constitute Undeveloped Property shall be taxed at the applicable rate as set for below.

All property located within the boundaries of CFD No. 97-1 shall be taxed for the purposes, to the extent and in the manner herein set forth unless exempted by law or by the provisions of Section 5 herein.

Section 1. Definitions.

"Alternative Special Tax" means, for Fiscal Year 1997-98, an amount equal to \$4,602 per acre of Assessor's Parcel of Single Family Detached Residential Property described in Section 3(A) and, for each subsequent Fiscal Year, an amount equal to such rate increased by two percent (2%) of the amount in effect in the previous year.

"Assessor's Parcel" means a parcel of land a designated on an official map of the Orange County Assessor which has been assigned a discrete identifying parcel number.

"Assigned Special Tax" means the Special Tax for each Class, as determined by reference to Section 3(A) below.

"CFD No. 97-1" shall mean the territory within the boundaries of Community Facilities District No. 97-1 as depicted on the map as recorded with the County Recorder of Orange County on file with the District.

"CFD 97-1 Special Reserve Fund" means the fund established and maintained by or on behalf of CFD 97-1 separate and apart from its other funds and accounts into which money is to be deposited and from which money is to be expended as provided herein. Amounts deposited in the CFD 97-1 Special Reserve Fund shall come from (a) Special Taxes collected in excess of the amounts required for the purposes described in clauses (a), (c) and (d) of the definition of "Debt Service Requirement", and (b) earnings derived from the investment of amounts on deposit in the CFD 97-1 Special Reserve Fund. On or before the No Additional Bonds Date, amounts on deposit in the CFD 97-1 Special Reserve Fund shall be applied as a credit to taxes that would otherwise be levied on Undeveloped Property.

After the No Additional Bonds Date, amounts on deposit in this fund shall be used to redeem bonds.

"Debt Service Requirement" means for each Fiscal Year the sum of (a) one hundred percent (100%) of the principal of and interest on bonds of CFD No. 97-1 coming due in the bond year which ends in the next subsequent Fiscal Year, except to the extent such principal or interest is expected to be paid from proceeds from the sale of bonds or other amounts then available in the applicable debt service fund for such purpose, (b) the product of the amount described in clause (a) times the larger of (i) the rate of delinquency in the payment of the special tax during the Fiscal Year immediately preceding the Fiscal Year for which the Debt Service Requirement is being determined or (ii) ten percent (10%), (c) the sum of all deposits then required to be made into any reserve fund established with respect to any bonds of CFD No. 97-1, and (d) the reasonably estimated administrative expenses for the bond year referred to in clause (a).

"Developed Property" shall mean all Taxable Property for which a building permit was issued as of July 1 of the Fiscal Year.

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

"Maximum Special Tax" shall mean the highest Special Tax determined in accordance with Section 3 for each Class of Developed Property or for Undeveloped Property, as the case may be, which can be levied by the Board in any Fiscal Year.

"Multifamily Residential Property" means all Assessor's Parcels of Developed Property for which a building permit has been issued for purposes of constructing a multifamily residential dwelling but excluding Seniors Housing Developed Property.

"No Additional Bonds Date" means the earliest of (a) the date on which the Board adopts a resolution declaring that no additional bonds of CFD No. 97-1 will be issued, (b) the date on which the aggregate principal amount of all bonds theretofore issued on behalf of CFD No. 97-1 equals the principal amount of such bonds authorized to be issued and (c) the seventh anniversary of the date on which The Irvine Company files with the Board a certificate specifying the maximum number of dwelling units expected to be constructed in the Lower Peters Canyon Community and stating that building permits have been issued for at least 95% of said number.

"Other Developed Property" means all Assessor's Parcels of Developed Property other than Residential Developed Property and Seniors Housing Developed Property.

"Previously Taxed Undeveloped Property" means property that was Undeveloped Property as of the effective date of a consent of The Irvine Company delivered in satisfaction of the condition set forth in Section 8(A), whether or not the Special Tax was thereafter imposed on such property.

"Proportionately or Proportioned" shall mean for Developed Property that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Developed Properties. "Proportionately" or "Proportioned" shall mean for Undeveloped Property that the ratio of the actual Special Tax levy to the Maximum Special Tax for Undeveloped Property is equal for all Undeveloped Properties.

“Residential Developed Property” means all Assessor’s Parcels of Developed Property consisting of Single Family Attached Residential Property, Single Family Detached Residential Property, and Multifamily Residential Property.

“Seniors Housing Developed Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwellings, the occupancy of which is restricted to seniors as described in Government Code Section 65955.1.

“Single Family Attached Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing an attached Single Family Residential dwelling but excluding Seniors Housing Developed Property.

“Single Family Detached Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for purposes of constructing a detached Single Family Residential dwelling but excluding Seniors Housing Developed Property.

“Taxable Property” shall mean the area within the boundaries of CFD No. 97-1 which is not exempt from application of the Special Tax by operation of law or Section 5 herein.

“Undeveloped Property” shall mean all Taxable Property which is not classified as Developed Property.

Section 2. Assignment to Development Status.

The District shall, on or before July 1 of each year classify all Taxable Property within the boundaries of CFD as either Developed or Undeveloped Property. In order to determine the applicable Special Tax, each Assessor’s Parcel which constitutes Developed Property shall be assigned to a Class, classified as either Residential Developed Property or Other Developed Property and taxed as set forth below. Undeveloped Property shall be taxed as set forth below.

Section 3. Maximum Special Tax Rates.

Residential Developed Property shall be assigned to a product class. The product class shall be determined by the product type (Single Family Detached, Single Family Attached or Multifamily) and for Single Family Detached Residential Property by the average lot size as determined by dividing the total square footage of residential lots within the boundaries of a final Development Subdivision Map by the total number of dwelling units permitted within the Map as certified by a registered civil engineer. In determining the amount of the Assigned Special Tax for Undeveloped Property, Other Developed Property or Seniors Housing Residential Developed Property to be levied on an Assessor’s Parcel, the square footage shall include all square footage in the land area of an Assessor’s Parcel as shown on an Assessor’s Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel map, or other recorded County map.

A. Residential Developed Property

The Maximum Special Tax in each fiscal year for an Assessor's Parcel classified as Developed Property shall be the Assigned Special Tax indicated below for the applicable Class, provided that the Maximum Special Tax shall be the greater of the applicable Assigned Special Tax, or the Alternative Special Tax in the case of property that (i) is Single Family Detached Residential Property, (ii) was created by a subdivision map in which the average lot size (computed in the manner described in the first paragraph of this Section 3) is not less than 10,000 square feet, and (iii) consists of property that was Previously Taxed Undeveloped Property, but not property that in any Fiscal Year since it became classified as Developed Property has had imposed on it the applicable Assigned Special Tax but not the Alternative Special Tax. The Assigned Special Tax for Fiscal Year 1997-98 shall be as indicated below. Each July 1, commencing July 1, 1998, the Assigned Special Tax for each Class shall be increased by two percent (2%) of the amount in effect the previous year. The Special Tax may only be applied to Seniors Housing Developed Property which were initially taxed as Undeveloped Property.

<u>PRODUCT TYPE DESCRIPTION</u>	<u>ASSIGNED SPECIAL TAX</u> <u>(1997-98)</u>
1-Single Family Detached Property +4300 sq.ft. average lot size	\$1196 per unit
2-Single Family Detached Property 0-4300 sq.ft. average lot size	\$800 per unit
3-Single Family Attached Property	\$427 per unit
4-Multifamily Property	\$625 per unit

B. Undeveloped Property

The Maximum Special Tax on Undeveloped Property shall be \$4,602 per acre of the land area of an Assessor's Parcel as shown on an Assessor's Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel, or other recorded County Map. Each July 1 commencing on July 1, 1998, the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2%) of the amount in effect the previous year.

C. Other Developed Property

The Maximum Special Tax on Other Developed Property shall be \$4,602 per acre of the land area of an Assessor's Parcel as shown on an Assessor's Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel or other recorded County Map. Each July 1 commencing on July 1, 1998, the Maximum Special Tax for Other Developed Property shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year.

D. Seniors Housing Developed Property

The Maximum Special Tax on Senior Housing Developed Property shall be \$4,602 per acre of the land area of an Assessor's Parcel as shown on an Assessor's Parcel map of the County Assessor or, if the land area is not shown on said map, the land area on the applicable final map, parcel, or other recorded County Map. Each July 1 commencing on July 1, 1998, the Maximum Special Tax for Seniors Housing Developed Property shall be increased by two percent (2%) of the maximum amount which could have been levied the previous year. The Special Tax may only be applied to Seniors Housing Developed Property consisting of Previously Taxed Undeveloped Property.

Section 4. Apportionment of Special Tax.

A. Prior to the No Additional Bonds Date

Commencing in Fiscal Year 1997-98, and for each Fiscal Year thereafter prior to the No Additional Bonds Date, the Board shall levy the Special Tax on each Assessor's Parcel of Developed Property, in an amount equal to the applicable Assigned Special Tax for that Fiscal Year, as set forth in Section 3(A) above.

If the aggregate amount of the Special Tax so levied on Residential Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each parcel of Undeveloped Property up to the applicable Maximum Special Tax for that Fiscal Year, as set forth in Section 3(B) above such that the aggregate amount so levied equals the difference between the applicable Debt Service Requirement and the aggregate amount of such special tax levies on Residential Developed Property.

If the aggregate amount of the Special Tax so levied on Residential Developed Property and Undeveloped Property is less than the then applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel of Other Developed Property, in an amount not in excess of the applicable Maximum Special Tax for that Fiscal Year, as set forth in Section 3(C) above such that the aggregate amount so levied equals the difference between the applicable Debt Service Requirement and the aggregate amount of such special tax levies on Residential Developed Property and Undeveloped Property.

If the aggregate amount of the Special Tax so levied on Residential Developed Property, Undeveloped Property and Other Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel that is subject to the Alternative Special Tax as the Alternative Special Tax in an amount (giving credit for the Assigned Special Tax levied pursuant to the first paragraph of this Section) not in excess of the applicable Maximum Special Tax for that fiscal year, as set forth in section 3(A) above such that the aggregate amount so levied equals the difference between the applicable Debt Service and the aggregate amount of the special tax levies on Residential Developed Property, Undeveloped Property and Other Developed Property.

If the aggregate amount of the Special Tax so levied on Residential Developed Property, Undeveloped Property and Other Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel of Seniors Housing Developed Property consisting of Previously Taxed Undeveloped Property, in an amount not in excess of the applicable Maximum Special

Tax for that Fiscal Year, as described in Section 3(D) above such that the sum of the aggregate amount of the Special Tax levied on all Taxable Property equals, but does not exceed, the then applicable Debt Service Requirement.

B. On or After the No Additional Bonds Date

Commencing with the first Fiscal Year subsequent to the No Additional Bonds Date, and for each Fiscal Year thereafter, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel of Residential Developed Property, in an amount not in excess of the applicable Maximum Special Tax for that Fiscal Year, such that the aggregate amount so levied equals, but does not exceed, the then applicable Debt Service Requirement.

If the aggregate amount of the Special Tax so levied on Residential Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the special Tax Proportionately on each parcel of Undeveloped Property up to the applicable Maximum Special Tax for that Fiscal Year, as set forth in Section 3(B) above such that the aggregate amount so levied equals the difference between the applicable Debt Service Requirement and the Aggregate amount of such special tax levies on Developed Property.

If the aggregate amount of the Special Tax so levied on Residential Developed Property and Undeveloped Property is less than the then applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel of Other Developed Property, in an amount not in excess of the applicable Maximum Special Tax for that Fiscal Year, such that the sum of the aggregate amount of the Special Tax levied on all Residential Developed Property, Undeveloped Property and Other Developed Property equals, but does not exceed, the then applicable Debt Service Requirement.

If the aggregate amount of the Special Tax so levied on Residential Developed Property, Undeveloped Property and Other Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel that is subject to the Alternative Special Tax at the Alternative Special Tax in an amount not in excess of the applicable Maximum Special Tax for that Fiscal Year, as set forth in Section 3(A) above such that the aggregate amount so levied equals the difference between the applicable Debt Service Requirement and the aggregate amount of the special tax levies on Residential Developed Property, Undeveloped Property and Other Developed Property.

If the aggregate amount of the Special Tax so levied on Residential Developed Property, Undeveloped Property and Other Developed Property is less than the applicable Debt Service Requirement, the Board shall levy the Special Tax Proportionately on each Assessor's Parcel of Seniors Housing Developed Property consisting of Previously Taxed Undeveloped Property which was subject to the Undeveloped Property Tax, in an amount not in excess of the applicable Maximum Special Tax for that Fiscal Year, as described in section 3(D) above such that the sum of the aggregate amount of the Special Tax levied on all Taxable Property equals, but does not exceed, the then applicable Debt Service Requirement.

Section 5. Exemptions.

The Special Tax shall not be levied on parks, public properties classified as Undeveloped Property, utility properties belonging to public or private utilities, Seniors Housing Developed Property (except as provided in Section 3(D)) and properties exempt from general ad valorem property taxes.

Section 6. Manner of Collection.

The Special Taxes for CFD No. 97-1 will be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD No. 97-1 may collect special taxes at a different time or in a different manner as determined by the Board, and the special taxes will be subject to the same penalties and procedures, sale, and lien priority in the event of delinquencies as provided for ad valorem taxes.

A three-member Appeals Board, to be appointed by the legislative body of the CFD No. 97-1, shall set forth all rules and further specifics relating to the implementation, interpretation and administration of the special tax formula. Any dispute regarding the allocation or amount of special taxes levied against any particular parcel shall be submitted to the Appeals Board for consideration.

Section 7. Prepayment.

The Board may specify conditions under which the obligation to pay the special tax may be prepaid and permanently satisfied and the lien of the special tax canceled so long as the prepayment is not less than the maximum present value of the special tax obligation.

Section 8. Limitations on Debt.

- A. No CFD indebtedness shall be incurred without The Irvine Company's consent if the annual Special Tax applicable to Developed Property in each Fiscal Year is or will be less than the sum of (i) one hundred percent (100%) of the principal of and interest on bonds coming due in the bond year which ends in the next subsequent Fiscal Year (except to the extent such principal or interest is expected to be paid from proceeds from the sale of bonds or other amounts then available in the applicable debt service fund for such purposes) plus (ii) the reasonably estimated administrative expenses for the bond year referred to in clause (i).
- B. No CFD indebtedness shall be incurred after the No Additional Bonds Date. If the No Additional Bonds Date occurs because The Irvine Company files with the Tustin Unified School District a certificate specifying the maximum number of dwelling units expected to be constructed in the Lower Peters Canyon Community and stating that building permits have been issued for a least 95% of said number, then, subsequent to the delivery of such a certificate neither The Irvine Company nor Irvine Company Development company nor any successor thereof shall be entitled to construct or cause to be constructed any residential dwelling unit in excess of the maximum specified by The Irvine Company without the consent of the Tustin Unified School District.