

FIRST AMENDED RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2004-2 OF LAKE ELSINORE UNIFIED SCHOOL DISTRICT

The following sets forth the First Amended Rate and Method of Apportionment ("RMA") for the levy and collection of Special Taxes by Community Facilities District No. 2004-2 ("CFD No. 2004-2") of the Lake Elsinore Unified School District ("School District"). A Special Tax shall be levied annually on and collected from Taxable Property (as defined below) in CFD No. 2004-2 each Fiscal Year, as described below, in an amount determined through the application of the RMA described below. All of the real property in CFD No. 2004-2, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acreage" means the number of acres of 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 Board may rely on the applicable Final Map.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of CFD No. 2004-2 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 2004-2 or the Bonds, and costs otherwise incurred in order to carry out the authorized purposes of CFD No. 2004-2.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of CFD No. 2004-2.

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

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

"Assigned Annual Special Tax" means the Special Tax of that name described in Section D.

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

"Board" means the Board of Trustees of Lake Elsinore Unified School District, or its designee, in certain cases acting as the Legislative Body of CFD No. 2004-2.

"Bond Index" means the national Bond Buyer Revenue Index, commonly referenced as the 25-Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing over a 30 year period with an average rating equivalent to Moody's "A1" and S&P's A+, as may be reasonably determined by the Board.

"Bonds" means any obligation to repay a sum of money, including obligations in the form of bonds, notes, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, to which all or a portion of the Special Taxes have been pledged.

"Bond Yield" means the yield on the last series of Bonds issued by or on behalf of CFD No. 2004-2, as calculated at the time such Bonds are issued, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, for the purpose of the Non-Arbitrage (Tax) Certificate or other similar bond issuance document.

"Building Permit" means a permit for the construction of one or more Units issued by the City, County or another public agency in the event the City or County no longer issues said permits for the construction of Units within CFD No. 2004-2. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or "BSF" means the square footage of assessable internal living space of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, or other structures not used as living space, as determined by reference to the Building Permit for such Unit.

"Calendar Year" means the period commencing January 1 of any year and ending the following December 31.

"CFD No. 2004-2" means Community Facilities District No. 2004-2 of the Lake Elsinore Unified School District as established under the Act.

"City" means the City of Lake Elsinore.

"County" means the County of Riverside.

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

"Exempt Property" means all Assessor's Parcels designated as being exempt from Special Taxes pursuant to Section K.

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

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

"Homeowner" means any owner of a completed Unit constructed and sold within CFD No. 2004-2.

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Annual Special Tax" means the Special Tax of that name as described in Section C.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service on all outstanding Bonds, (ii) the periodic costs of the Bonds, including but not limited to, credit enhancement costs and rebate payments on the Bonds, (iii) Administrative Expenses of CFD No. 2004-2, (iv) the costs associated with the release of funds from an escrow account, (v) any amount required to establish or replenish any reserve funds (or account thereof) established in association with the Bonds, and (vi) an amount equal to the reasonably anticipated delinquent Special Taxes, based on the delinquency rate for Special Taxes in the prior Fiscal Year, less (vii) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement, or trust agreement.

"Minimum Taxable Acreage" means the applicable Acreage classified as Taxable Property as determined pursuant to Section J.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Annual Special Tax obligation for an Assessor's Parcel as described in Section I.

"Prepayment Amount" means the amount required to prepay the Annual Special Tax obligation in full for an Assessor's Parcel as described in Section H.

"Prepayment Administrative Fees" means any fees or expenses of the School District or CFD No. 2004-2 associated with the prepayment of the Special Tax obligation of an Assessor's Parcel. Prepayment Administrative Fees shall include among other things the cost of computing the Prepayment Amount, redeeming Bonds, and recording any notices to evidence the prepayment and redemption of Bonds.

"Present Value of Taxes" means for any Assessor's Parcel the present value of (i) the unpaid portion, if any, of the Special Tax applicable to such Assessor's Parcel in current Fiscal Year and (ii) the Annual Special Taxes expected to be levied on such Assessor's Parcel in each remaining Fiscal Year, as determined by the Board, until the termination date specified in Section J. The discount rate used for this calculation shall be equal to the (i) Bond Yield after Bond issuance or (ii) most recently published Bond Index prior to Bond issuance.

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

"School District" means the Lake Elsinore Unified School District, or subsequent successor school district.

"Special Tax" means any of the special taxes authorized to be levied by CFD No. 2004-2 pursuant to the Act.

"Taxable Property" means all Assessor's Parcels that are not classified as Exempt Property.

"Undeveloped Property" means all Assessor's Parcels of Taxable Property that are not Developed Property.

"Unit" means each separate residential dwelling unit that comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

"Zone" means the areas identified as a Zone of CFD No. 2004-2 as in Exhibit A to this RMA.

"Zone 1" means all property located within the area identified as Zone 1 of CFD No. 2004-2 as in Exhibit A to this RMA, subject to interpretation by the Board as described in Section B.

"Zone 2" means all property located within the area identified as Zone 2 of CFD No. 2004-2 as in Exhibit A to this RMA, subject to interpretation by the Board as described in Section B.

SECTION B CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2004-05, (i) each Assessor's Parcel shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board; (ii) each Assessor's Parcel shall be classified as Exempt Property or Taxable Property; and (iii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property. Developed Property shall be further classified based on the Building Square Footage of the Unit. The classification of Exempt Property shall take into consideration the Minimum Taxable Acreage of each Zone as determined pursuant to Section K.

SECTION C MAXIMUM ANNUAL SPECIAL TAXES

1. Developed Property

The Maximum Annual Special Tax for each Assessor's Parcel classified as Developed Property within a particular Zone in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Annual Special Tax for such Zone, or (ii) the application of the Backup Annual Special Tax for such Zone.

2. Undeveloped Property

The Maximum Annual Special Tax for each Assessor's Parcel classified as Undeveloped Property within a particular Zone in any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax for such Zone.

SECTION D
ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel classified as Developed Property shall be determined by reference to Tables 1 and 2 according to the Zone within which the Assessor's Parcel is located and the Building Square Footage of the Unit.

TABLE 1

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY IN ZONE 1**

BSF	Assigned Annual Special Tax
< 2,350	\$2,652.67 per Unit
2,350 – 2,750	\$2,715.68 per Unit
2,751 – 3,350	\$2,904.71 per Unit
3,351 – 3,850	\$3,156.75 per Unit
3,851 – 4,200	\$3,597.82 per Unit
> 4,200	\$3,660.83 per Unit

TABLE 2

**ASSIGNED ANNUAL SPECIAL TAX
FOR DEVELOPED PROPERTY IN ZONE 2**

BSF	Assigned Annual Special Tax
< 2,000	\$2,672.81 per Unit
2,000 – 2,500	\$2,766.98 per Unit
2,501 – 3,000	\$2,861.15 per Unit
> 3,000	\$2,948.64 per Unit

2. Undeveloped Property

The Assigned Annual Special Tax rate per acre of Acreage for an Assessor's Parcel of Undeveloped Property shall be determined by reference to Table 3 according to the Zone within which the Assessor's Parcel is located.

TABLE 3

**ASSIGNED ANNUAL SPECIAL TAX
FOR UNDEVELOPED PROPERTY**

Zone	Special Tax
Zone 1	\$1,015.86 per acre
Zone 2	\$5,983.98 per acre

**SECTION E
BACKUP ANNUAL SPECIAL TAXES**

Each Fiscal Year, each Assessor's Parcel of Developed Property within a particular Zone shall be subject to a Backup Annual Special Tax. In each Fiscal Year, the Backup Annual Special Tax rate for Developed Property shall be the rate per Lot calculated according to the following formula:

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

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot within such Zone each Fiscal Year
Z	=	Assigned Annual Special Tax per acre of Acreage of Undeveloped Property for such Zone
A	=	Acreage of Taxable Property in the applicable Final Map of such Zone, as determined by the Board pursuant to Section K
L	=	Lots in the Final Map for the applicable Zone

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

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

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2004-05, and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

- Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.
- Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall levy Proportionately an Annual Special Tax on each Assessor's Parcel of Undeveloped Property, up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.
- Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall additionally levy an Annual Special Tax Proportionately on each Assessor's Parcel of Developed Property, up to the Maximum Annual Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.

SECTION G EXCESS ASSIGNED ANNUAL SPECIAL TAXES

In any Fiscal Year which the Annual Special Taxes collected from Developed Property, pursuant to Step 1 of Section F, exceeds the Minimum Annual Special Tax Requirement, the School District shall use such amount for acquisition, construction or financing of school facilities in accordance with the Act, CFD No. 2004-2 proceedings and other applicable law as determined by the Board.

SECTION H PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of 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 prepaid in full, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid. The Prepayment Amount for an Assessor's Parcel eligible for prepayment shall be determined as described below.

An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide CFD No. 2004-2 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the prepayment amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. The Prepayment Amount shall be calculated according to the following formula:

$$P = PVT - RFC + PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fees

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

With respect to any Assessor's Parcel that is prepaid, the Board shall indicate in the records CFD No. 2004-2 that there has been a prepayment of the Annual Special Tax obligation as shall cause a suitable notice to be recorded in compliance with the Act to indicate the prepayment of the Annual Special Tax obligation and the release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay the Annual Special Tax shall cease.

SECTION I PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

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

1. Partial Prepayment Times and Conditions

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

2. Partial Prepayment Amount

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

$$PP = P_G \times F$$

The terms above have the following meanings:

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

3. Partial Prepayment Procedures and Limitations

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of CFD No. 2004-2 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such Assessor's Parcel to pay such prepaid portion of the Annual Special Tax shall cease. Additionally, the notice shall indicate that the Assigned Annual Special Tax and the Backup Annual Special Tax for the Assessor's Parcel has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.15 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year and such partial prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

SECTION J TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty-three (33) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2045-46.

SECTION K EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, Federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from *ad valorem* property taxes because they are owned by a religious organization, (iii) Assessor's Parcels used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, including any use directly servicing any non-residential property, such as parking, as reasonably determined by the Board, and (vi) any other Assessor's Parcels at the reasonable discretion of the Boards provided that no such classification would reduce the sum of all Taxable Property in a given Zone to less than the Minimum Taxable Acreage as shown in Table 4. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property in a given Zone to less than the Minimum Taxable Acreage for such Zone. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Minimum Taxable Acreage in a given Zone will continue to be classified as Developed Property or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE

Zone	Minimum Taxable Acreage
Zone 1	179.93 acres
Zone 2	18.94 acres

**SECTION L
APPEALS**

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of CFD No. 2004-2 shall promptly review such appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the representative's decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) at the representative's decision shall indicate.

**SECTION M
MANNER OF COLLECTION**

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that CFD No. 2004-2 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

J:\CLIENTS\LK_ELSIN.USD\MELLO\Century Vintage_Keystone\First Amended_RMA_FINAL_09142004.doc

EXHIBIT A

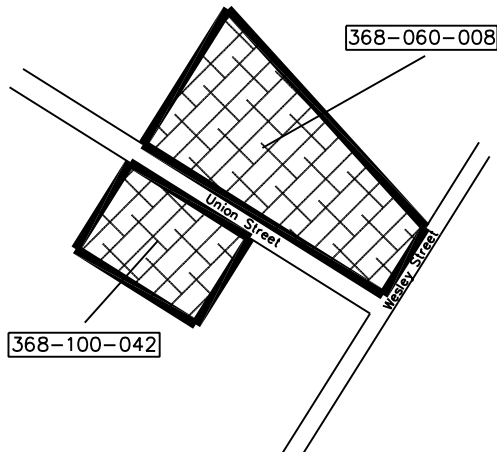
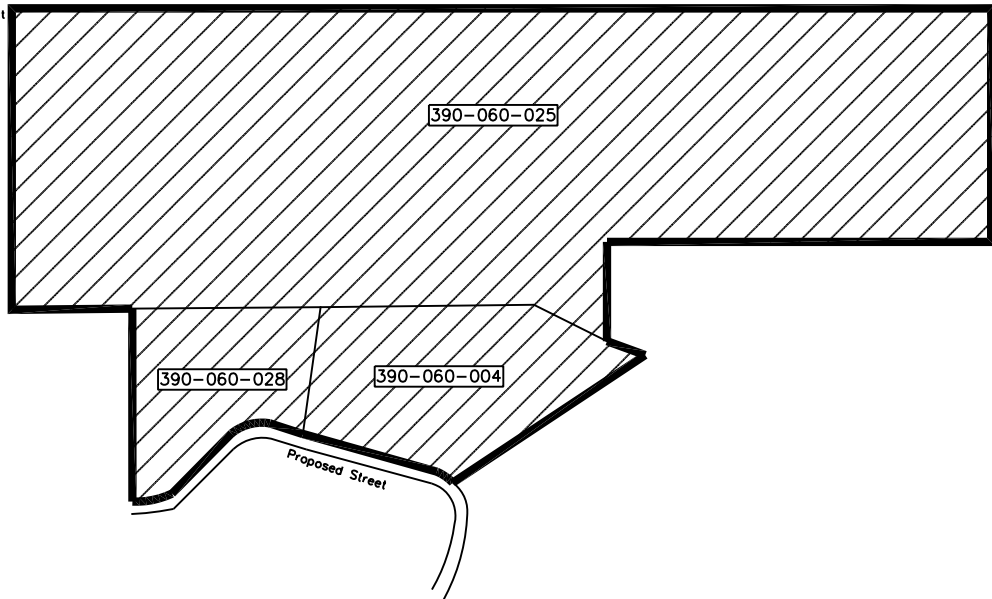
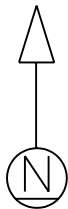
LAKE ELSINORE UNIFIED SCHOOL DISTRICT

COMMUNITY FACILITIES DISTRICT NO. 2004-2

MAP OF ZONES

Perris Elementary School District

Lake Elsinore Unified School District



LEGEND

	Boundaries of Community Facilities District No. 2004-2
	Assessor Parcel Line
	School District Boundaries
	Zone 1
	Zone 2
nnn-nnn-nnn	Riverside County Assessor Parcel Number

Reference is hereby made to the Assessor maps of the County of Riverside for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY
DAVID TAUSSIG & ASSOCIATES, INC.