

**RATE AND METHOD OF APPORTIONMENT OF
SPECIAL TAX
FOR COMMUNITY FACILITIES DISTRICT NO. 2002-2 (REDHAWK)
OF
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT**

A Special Tax applicable to each Assessor's Parcel in Community Facilities District No. 2002-2 (herein "CFD No. 02-2") shall be levied and collected according to the tax liability determined by the Governing Board (herein the "Board") of the Temecula Valley Unified School District acting in its capacity as the legislative body of CFD No. 02-2 through the application of the appropriate amount or rate for "Developed Property" or "Undeveloped Property", as described below. All of the property in CFD No. 02-2, unless exempted by law or by the provisions of this Rate and Method of Apportionment, shall be taxed for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Additional Levy" means an amount equal to nine percent (9%) of the aggregate Assigned Special Taxes in a Fiscal Year, provided that the aggregate Assigned Special Taxes are less than Net Debt Service; if the aggregate Assigned Special Taxes in a Fiscal Year are greater than Net Debt Service, then Additional Levy means an amount equal to nine percent (9%) of Net Debt Service.

"Apartment" means a residential unit in a building or buildings comprised of residential units available for rental by the general public.

"Assigned Special Tax" means that special tax applicable to Developed Property as indicated in Table 1 of Section C.1 of this document.

"Backup Special Tax" for Fiscal Year 2002-03 means an amount equal to \$.097-per-square-foot of land area applicable to each Assessor's parcel.

"Calendar Year" means a twelve (12) month period beginning January 1 of any Fiscal Year.

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

"Developed Property" means all assessor's parcels in CFD No. 02-2 for which a building permit has been issued as of March 1 of the preceding Fiscal Year.

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

"Maximum Special Tax" means the maximum Special Tax, determined in accordance with Section C, that can be levied by the Board in any Fiscal Year for each class of Developed Property and for Undeveloped Property, as applicable.

"Net Debt Service" for any Fiscal Year means an amount equal to the annual interest and principal payments due for the Calendar Year plus administrative expenses less capitalized interest and less available interest earnings.

“School Facilities” means the planning, acquisition, construction and/or financing of interim and permanent facilities, including classrooms, multi-purpose, administration and auxiliary space at a school, central support and administrative facilities and special education facilities, together with furniture, equipment and technology, needed by the School District, in addition to all land or interests in land required for the construction of such on-site or off-site facilities and all land or interests in land required to be provided by the School District as mitigation of impacts associated with the development of such School Facilities.

“Single Family Attached” means a residential structure consisting of two or more residential units that share common walls, but not including Apartments.

“Single Family Detached” means a residential structure consisting of only one residential unit.

“Taxable Property” is all of the area within the boundaries of CFD No. 02-2 which is not exempt from the Special Tax pursuant to law or Section E below.

“Undeveloped Property” means all Taxable Property in CFD No. 02-2 not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CLASS

On or about July 1 of each year, all Taxable Property within CFD No. 02-2 shall be categorized either as a Developed Property or an Undeveloped Property and shall be subject to tax in accordance with the rate and method of apportionment determined pursuant to Sections C and D below.

For purposes of determining the applicable Maximum Special Tax pursuant to Section C, Developed Property shall be assigned to one of the classes designated in Table 1 below. Single Family Detached Developed Property shall be assigned Classes 1 through 6 based upon the square footage for the improvements to be constructed on an Assessor’s parcel as set forth on the most recent building permit issued for such property. The square footage of a structure assigned to Classes 1 through 6 shall be exclusive of garages or other structures which are not used as living spaces. All Condominiums and Single Family Attached, for sale residential dwellings shall be assigned to Classes 7 and 8, based on the building square footage set forth on the most recent building permit, exclusive garages or other structures which are not used as living spaces. All Apartments which are not exempt from the Special Tax pursuant to Section E below, shall be assigned to Class 8. All Commercial/Industrial Property shall be assigned to Class 9.

For purposes of Section C, the acreage or square footage of land area for an Assessor’s parcel shall be determined by reference to the most current Riverside County Assessor’s parcel map. If such acreage is not provided on the Assessor’s parcel map, such acreage shall be determined by the District. Notwithstanding Section E, below, for purposes of the Backup Special Tax, the acreage or square footage of land area applicable to Developed Property in Classes 7 through 8 shall be computed from the underlying parcel or lot as indicated on the most recent Assessor’s parcel map or final subdivision tract map. Each residential unit shall be assigned an equal proportion of the Backup Special Tax applicable to the underlying Assessor’s parcel or lot.

In making the computations set forth in Section C and in determining the Maximum Special Tax for Developed Property which may be levied in any Fiscal Year, on July 1, 2002, and on each July 1 thereafter, the Backup Special Tax and the Assigned Special Tax for each class set forth in Table 1 shall be increased by an amount equal to 2.0 percent of the amount in effect for the previous Fiscal Year.

The Maximum Special Tax for Undeveloped Property which may be levied in any Fiscal Year, on July 1, 2002, and on each July 1 thereafter, shall be increased by an amount equal to 2.0 percent of the amount in effect for the previous Fiscal Year.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

The maximum Special Tax for an Assessor's parcel classified as Developed Property in Classes 1 through 9 shall be the greater of (i) the amount derived by multiplying the square footage applicable to such Assessor's parcel times the Backup Special Tax or (ii) the Assigned Special Tax.

TABLE 1

**ASSIGNED SPECIAL TAXES ON DEVELOPED PROPERTY
IN COMMUNITY FACILITIES DISTRICT NO. 02-2
(FISCAL YEAR 2002-03) PER UNIT (RESIDENTIAL)
OR PER ACRE (COMMERCIAL/INDUSTRIAL)**

<u>Class</u>	<u>Land Use</u>	<u>Square Footage</u>	<u>Assigned Special Tax Rate for Fiscal Year 2002-03</u>
1	Single Family Detached	>2,800 Sq. Ft.	\$948.6946 per unit
2	Single Family Detached	2,601-2,800 Sq. Ft.	\$818.1403 per unit
3	Single Family Detached	2,301-2,600 Sq. Ft.	\$770.8921 per unit
4	Single Family Detached	2,001-2,300 Sq. Ft.	\$659.2992 per unit
5	Single Family Detached	1,700-2,000 Sq. Ft.	\$368.0388 per unit
6	Single Family Detached	<1700 Sq. Ft.	\$295.9231 per unit
7	Single Family Attached / Condominium	1,151 + Sq. Ft.	\$126.8242 per unit
8	Single Family Attached / Condominium	<1,151 Sq. Ft.	\$77.0892 per unit
9	Commercial / Industrial	N/A	\$2,790.1319 per acre

The Maximum Special Tax may exceed the Assigned Special Tax if the Backup Special Tax alternative is used (\$0.078 per square foot of lot space for Developed Property). The Backup Special Tax (for Developed Property) will be applied under the Third step of Section D (below) to the following:

1. Class 1 lots larger than 9,782 square feet.
2. Class 2 lots larger than 8,435 square feet.
3. Class 3 lots larger than 7,948 square feet.
4. Class 4 lots larger than 6,798 square feet.
5. Class 5 lots larger than 3,794 square feet.
6. Class 6 lots larger that 3,057 square feet.

7. Single Family Attached and Condominium units in Class 7 for which densities are less than 33 units per acre.
8. Single Family Attached and Condominium units in Class 8 for which densities are less than 54 units per acre.

2. Undeveloped Property

The Maximum Special Tax for Undeveloped Property in Fiscal Year 2002-03 shall be \$9,076.6325 per acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX TO DEVELOPED PROPERTY AND UNDEVELOPED PROPERTY

Starting in Fiscal Year 2002-03 the Board shall determine the amount of money to be collected from Taxable Property in CFD No. 02-2 in that Fiscal Year. Such amount subject to the maximum amounts herein provided shall include amounts to plan, design, construct, or furnish School Facilities as well as the Additional Levy and the sums necessary to pay for Net Debt Service on indebtedness of CFD No. 02-2, to create or replenish reserve funds determined necessary by CFD No. 02-2. The levy of the Special Tax shall cease upon the later of thirty-five (35) years from the date of original issuance of the last series of bonds of CFD No. 02-2 or the date of the final redemption, defeasance and/or repayment of all outstanding bonds of CFD No. 02-2. The Board shall levy the Special Tax as follows until the amount of the levy equals the amount to be collected:

First: The Special Tax shall be levied on Developed Property which has not been exempted pursuant to Section E, in equal percentages up to the following rates: 100% of the Assigned Special Tax for each class for such Fiscal Year.

Second: If additional moneys are needed after the first step has been completed, the Special Tax shall be levied proportionately on each parcel of Undeveloped Property (exclusive of Undeveloped Property owned by or irrevocably offered for dedication to a public agency or owned by a homeowner's association) up to 100% of the applicable rate for such Fiscal Year determined by reference to Section C.

Third: If additional moneys are needed after the first two steps have been completed, then the levy of the Special Tax on each assessor's parcel, whose Maximum Special Tax is determined through the application of the Backup Special Tax, shall be increased up to the Maximum Special Tax for each such assessor's parcel by increasing the applicable rate for each assessor's parcel for such Fiscal Year determined by Section C in equal percentages above the rates levied pursuant to step one above. However, if the Backup Special Tax must be levied, the District shall only levy the Special Taxes, including the Backup Special Tax, in an amount sufficient to provide all funds necessary for payment of Net Debt Service plus amounts necessary to create and replenish any reserve fund, and the Backup Special Tax, to directly fund any Additional Levy for any construction costs.

E. LIMITATIONS

The Board shall not impose any Special Tax on land conveyed or offered for dedication to a public agency or owned by a homeowners' association or land which is a public right of way or which is an unmanned utility property or a property encumbered with public or utility easements making impractical its utilization for other than the purpose set forth in the easement.

F. REVIEW/APPEAL COUNCIL

The Board shall establish as part of the proceedings and administration of CFD No. 02-2 a special three member Review/Appeal Council. Any landowner or resident who thinks that the amount of the Special Tax, as to their parcel, is in error may file a notice with the Review/Appeal Council appealing the amount of the Special Tax assigned to such parcel. The Review/Appeal Council shall interpret this Rate and Method of Apportionment of the Special Tax and make determinations relative to the annual administration of the special tax and any landowner or resident appeals, as herein specified. If it is determined that a refund is due, the refund period is limited to the preceding three years of taxation.

G. MANNER OF COLLECTION

The Special Taxes for CFD No. 02-2 will be collected in the same manner and at the same time as ordinary ad valorem property taxes are collected in the County of Riverside; provided, however, that CFD No. 02-2 may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations. In the event of a delinquency, CFD No. 02-2 will pursue foreclosure proceedings in a timely manner as prescribed by applicable law and documents of CFD No. 02-2.