

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 2021-1
TEMECULA VALLEY UNIFIED SCHOOL DISTRICT

An annual Special Tax (as hereinafter defined) shall be levied on all applicable Assessor's Parcels (as hereinafter defined) within Community Facilities District No. 2021-1 of the Temecula Valley Unified School District ("CFD No. 2021-1") and collected each Fiscal Year commencing in Fiscal Year 2022-2023, in an amount determined by the Temecula Valley Unified School District ("School District"), through the application of this Rate and Method of Apportionment of Special Taxes ("Rate and Method of Apportionment"), as described below. All of the real property within the boundaries of CFD No. 2021-1, unless exempted by law or by the provisions hereof, shall be subject to the Special Tax for the purposes, to the extent and in the manner herein provided.

A. DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2 of Title 5 of the Government Code of the State of California.

"Administrative Expenses" means the actual or reasonably estimated costs directly related to the administration of CFD No. 2021-1 including but not limited to (i) the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); (ii) the costs of collecting the Special Taxes (whether by the County or otherwise); (iii) the costs of remitting the Special Taxes to the Trustee; (iv) the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; (v) the costs to the School District, CFD No. 2021-1 or any designee thereof of complying with arbitrage rebate requirements; (vi) the costs to the School District, CFD No. 2021-1 or any designee thereof of complying with School District's, CFD No. 2021-1's or obligated persons' disclosure requirements in connection with the financing associated with applicable federal and State securities laws and of the Act; (vii) the costs associated with preparing Special Tax disclosure statements and responding to property owner and public inquiries regarding CFD No. 2021-1, including its Special Taxes; (viii) the cost associated with the computation of the Backup Special Tax; (ix) the costs of the School District, CFD No. 2021-1 or any designee thereof related to an appeal of the Special Tax; (x) the costs associated with the release of funds from an escrow account; and (xi) the School District's annual administration fees and third party expenses, including the payment of the allocable portion of the salaries and benefits of any School District employee whose duties are directly related to the administration of CFD No. 2021-1. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2021-1 for any formation or other administrative purposes of CFD No. 2021-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Assessor’s Parcel” or **“Assessor Parcels”** means a lot or parcel shown on an Assessor’s Parcel Map with an assigned Assessor’s parcel number.

“Assessor’s Parcel Map” means an official map of the County Assessor designating parcels by Assessor’s parcel number.

“Assigned Special Tax” means the Special Tax for each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.b below.

“Assistant Superintendent of Business Services” means the Assistant Superintendent of Business Services of the School District, Deputy Superintendent of Business Services of the School District or the Chief Business Official of the School District, as appropriate, or his or her designee in consultation with the CFD Administrator.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.c, below.

“Board” means the Governing Board of the School District acting as the legislative body of CFD No. 2021-1.

“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 Special Taxes within CFD No. 2021-1 have been pledged, including any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, pursuant to the Act or other debt that is legally permissible to use Special Taxes to repay.

“Boundary Map” means the map of CFD No. 2021-1 titled, “Proposed Boundary Map of Community Facilities District No. 2021-1 of the Temecula Valley Unified School District, County of Riverside, State of California” presented to and approved by the Board.

“Building Permit” means the first legal document issued by the County giving official permission for new construction of a building on an Assessor’s Parcel. For purposes of this definition, “Building Permit” shall include any subsequent building permits issued or changed prior to the first occupancy of the structure, as determined by the CFD Administrator.

“Certificate of Compliance” means the form issued by the District directly prior to the issuance of a Building Permit after payment of the Statutory School Fees.

“County” means the County of Riverside, California.

“Developed Floor Area” means for any Dwelling Unit, the square footage of assessable space of such Dwelling Unit as defined in Government Code section 65995(b)(1). For purposes of this determination, such square footage of assessable space shall be, and the School District, acting for CFD No. 2021-1, may rely on, the square footage as identified on the Building

Permit(s) issued by the applicable issuing agency if found consistent with such code section. Modifications to the originally issued Building Permit made prior to first occupancy may occur and shall be used to adjust the determination of Developed Floor Area. Modifications made after first occupancy, such as additions, shall pay the amount of Statutory School Fees specified by the then-current applicable law prior to the issuance of a Certificate of Compliance for such Developed Floor Area and will not be used to modify the Land Use Category used in the application of this Rate and Method of Apportionment.

“Developed Property” means, for each Fiscal Year, all Taxable Property for which a Building Permit for new construction was issued prior to March 1st of the prior Fiscal Year.

“Dwelling Unit” or “DU” means each residential dwelling unit which comprises an independent facility including but not limited to an individual single-family detached dwelling unit, townhome, condominium, apartment, attached or detached second dwelling unit, granny flat, accessory dwelling unit or other such residential dwelling unit, including each separate living area within a half-plex, duplex, triplex, fourplex, or other residential structure.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section E, below.

“Final Map” means a subdivision of property by recordation of a final map, parcel map, or lot line adjustment, pursuant to the Subdivision Map Act (California Government Code Section 66410 *et seq.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 or functionally equivalent map or instrument that creates individual lots for which Building Permits may be issued without further subdivision.

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

“Indenture” means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

“Land Use Category” means any of the categories listed in Table 1, below.

“Land Use Class” means any of the classes described in Section C.

“Maximum Special Tax” means for each Assessor’s Parcel and each Fiscal Year, the Maximum Special Tax, determined in accordance with Section C, below, that may be levied on such Assessor’s Parcel in such Fiscal Year.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a Building Permit was issued for any type of non-residential use.

“Non-Residential Property Payment Obligation” means, prior to the issuance of Bonds, at the time of the issuance of a Certificate of Compliance for any Non-Residential Property such

property shall pay Statutory School Fees after which the School District shall extinguish the special tax obligation of CFD No. 2021-1 for such Assessor Parcel(s). After the issuance of Bonds, the Non-Residential Property Payment Obligation due at time of the issuance of a Certificate of Compliance for any non-residential use is the greater of (1) the applicable Statutory School Fees for the requested Non-Residential Property or (2) the amount determined pursuant to Section I less any redemption premium as described in Section I.1.(a) and less the determined administrative fee pursuant to Section I.1.(b), as determined by the Assistant Superintendent of Business Service. If the Non-Residential Property Payment Obligation is determined by Statutory School Fees pursuant to clause (1) above, the School District shall collect such amounts and apply the required portion of the amount to CFD No. 2021-1 to fully extinguish the special tax obligation of CFD No. 2021-1 for such Assessor Parcel(s). If the Non-Residential Property Payment Obligation is determined pursuant to clause (2) above, the property owner will be provided with the option to prepay the Special Tax in full pursuant to Section I.1 in order to receive the Certificate of Compliance, or, in lieu of making such a payment as a condition to receiving the Certificate of Compliance, be subject to the annual levy of the Special Tax as set forth in this Rate and Method of Apportionment.

“Outstanding Bonds” means all Bonds which are deemed to be outstanding under an Indenture(s).

“Projected Dwelling Unit(s)” or **“PDU”** means the number of projected Dwelling Units projected to be developed on the property within CFD No. 2021-1 as shown in Table 2. The Assigned Special Tax for Nonresidential Developed Property per PDU is determined based on the total number of projected dwelling units displaced based on the area of the Non-Residential Property as determined by the CFD Administrator. The Special Tax on Undeveloped Property is per PDU determined as described in Section C.2.

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2021-1 that is owned by a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year; provided however, that no such classification shall reduce the PDU of all Taxable Property within CFD No. 2021-1 to less than the minimum PDU pursuant to Section E, below.

“Proportionately” means (a) for Undeveloped Property in the second step of Section D below, Proportionately means that the ratio of the actual Special Tax levy per Projected Dwelling Unit to the Maximum Special Tax per Projected Dwelling Unit is equal for all Assessor’s Parcels of Undeveloped Property; (b) for Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property in the third step of Section D, Proportionately means that the ratio of the actual Special Tax levy per Projected Dwelling Unit to the Maximum Special Tax per Projected Dwelling Unit is equal for all Assessor’s Parcels of Property Owner Association Property and Public Property; and (c) for Developed Property in the fourth step of Section D, Proportionately means that the amount of the increase above the Assigned Special Tax levy, if necessary, is equal for all Assessor’s Parcels of Developed Property, except that if the Backup Special Tax limits the increase on

any Assessor's Parcel(s), then the amount of the increase shall be equal for the remaining Assessor's Parcels.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2021-1 that is (i) used for rights-of-way or any other purpose and is owned by the federal government, the State, the County or any other public agency, including school districts, as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year or (ii) encumbered by a public or by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce the PDU of all Taxable Property within CFD No. 2021-1 to less than the minimum PDU pursuant to Section E, below, and provided that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in a Land Use Category in accordance with its zoning or use, whichever is greater.

“Rate and Method of Apportionment” means this “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2021-1 of the Temecula Valley Unified School District.”

“Residential 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 Dwelling Units.

“School District” means the Temecula Valley Unified School District.

“Special Tax” or **“Special Taxes”** means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property within the boundaries of CFD No. 2021-1 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means for each Fiscal Year, that amount required for CFD No. 2021-1 to: (i) pay Administration Expenses of CFD No. 2021-1 as provided in this Rate and Method of Apportionment; (ii) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (iii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iv) pay any amounts required to replenish any reserve funds for all Outstanding Bonds as evidenced by the fund balance at the end of the previous Fiscal Year; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2021-1 under the Act, as reasonably determined by the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax levy attributable to the Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2021-1 levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the School District, so long as the inclusion of such amount does not cause an increase in the Special Tax levy attributable to the Undeveloped Property prior to the issuance of Bonds, less (vii) a credit

for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services pursuant to the Indenture.

“State” means the State of California.

“Statutory School Fee” means those fees established by Section 17620 of the Education Code and Chapter 4.9 (commencing with Section 65995) of Division 1 of Title 7 of the Government Code or successor or similar statutory provisions of law being collected by the District at the time of request for a Certificate of Compliance.

“Taxable Property” means all of the Assessor’s Parcels within the boundaries of CFD No. 2021-1 which have not been prepaid pursuant to Section I, below, or which are not exempt from the Special Tax pursuant to law or Section E below.

“Trustee” means the trustee or fiscal agent under an Indenture(s).

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Property Owner Association Property or Public Property as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year.

“Weighted Average Interest Rate” calculated as of the date the most recent series of Bonds were issued (including refunding Bonds) means the net interest cost of the Bonds derived by adding together all the interest payments for the term of the Bonds and dividing that sum by the sum of the amount of principal of each Bond multiplied by the number of years such Bond is outstanding.

B. ASSIGNMENT TO LAND USE CLASS

Each Fiscal Year, all Taxable Property within CFD No. 2021-1 shall be assigned into the applicable Land Use Class or Land Use Classes of Developed Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property and shall be subject to Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections C and D below. An Assessor’s Parcel may contain both Developed Property subject to Special Taxes in accordance with Section C.1, below, and Taxable Property subject to Special Taxes as Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property subject to Special Tax in accordance with Section C.2, below. Assessor’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property, and finally into Land Use Categories.

C. MAXIMUM SPECIAL TAX RATE

An Assessor’s Parcel may contain more than one Land Use Category. The Maximum Special Tax which may be levied on an Assessor’s Parcel shall be the sum of the Maximum Special

Tax that can be imposed based on each Land Use Category applicable to such Assessor's Parcel.

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel of Developed Property that is classified as Residential 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.

The Maximum Special Tax for each Assessor's Parcel of Developed Property that is classified as Non-Residential Property shall be the Assigned Special Tax described in Table 1, below.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor's Parcel of Developed Property is shown in Table 1, below.

TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2022-2023

Land Use Category	Taxable Unit	Developed Floor Area	Assigned Special Tax Per Taxable Unit
1 - Residential Property	DU	1,550 sq. ft. or Less	\$2,040.66
2 - Residential Property	DU	1,551 sq. ft. to 1,750 sq. ft.	\$2,221.05
3 - Residential Property	DU	1,751 sq. ft. or Greater	\$2,410.93
4 – Non-Residential Property	PDU	N/A	\$2,404.07

c. Backup Special Tax

The Backup Special Tax per Dwelling Unit of Residential Property shall be \$2,404.07 per Dwelling Unit.

Notwithstanding the foregoing, if all or any portion of the applicable Final Maps and/or condominium plan contained within the boundaries of CFD No. 2021-1 is subsequently changed or modified, then the Backup Special Tax for each Dwelling Unit of Residential Property in such Final Map or condominium plan area contained with the boundaries of CFD No. 2021-1 that is changed or modified shall be recalculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map or condominium plan area prior to the change or modification.
2. The result of paragraph 1 above shall be divided by the total number of Dwelling Units constructed or Projected Dwelling Units to be constructed within such changed or modified Final Map or condominium plan area contained within the boundaries of CFD No. 2021-1, as reasonably determined by the CFD Administrator.
3. The result of paragraph 2 is the Backup Special Tax per Dwelling Unit which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map or condominium plan area contained within the boundaries of CFD No. 2021-1.

2. Undeveloped Property, Property Owner Association Property and Public Property

The Maximum Special Tax for Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2021-1 shall be \$2,404.07 per Projected Dwelling Unit as shown in the fourth column of Table 2. Table 2 below identifies the Assessor Parcel within the boundaries of CFD No. 2021-1 for Fiscal Year 2021-22, the Land Use Class(es) for each Assessor's Parcel and the number of Projected Dwelling Units assigned to each Assessor's Parcel. At the beginning of each Fiscal Year prior to the issuance of Bonds, the CFD Administrator shall update the information in Table 2 based on changes in the Assessor Parcels, the Dwelling Units classified as Developed Property as the result of the issuance of Building Permits and modifications, if any, to the Final Map resulting in a change to the number of total PDU at buildout and/or assignment of such PDU to each Assessor Parcel Number. At the beginning of each Fiscal Year after the issuance of Bonds, the CFD Administrator shall update the information in Table 2 based on changes in the Assessor Parcels, the Dwelling Units classified as Developed Property as the result of the issuance of Building Permits and modifications, if any, to the Final Map resulting in a change to the assignment of such PDU to each Assessor Parcel Number, but there will be no changes made to the total PDU at buildout. Given the delay in assigning Assessor Parcel numbers in any given Fiscal Year, it is possible that an Assessor Parcel may consist of a portion that would otherwise be classified as Developed Property, and a portion that is classified into a different Land Use Class. In such cases, the CFD Administrator shall identify for each Assessor's Parcel a number of Projected Dwelling Units within each such Land Use Class. The Special Tax that may be levied on each Assessor's Parcel containing property assigned to the Land Use Class of Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property within CFD No. 2021-1, in that Fiscal Year pursuant to Section D shall then be based on the number of Projected Dwelling Units determined for the Assessor's Parcel and the Land Use Class to which they are assigned.

Table 2
Projected Dwelling Units per Assessor's Parcel for
Fiscal Year 2020-2021

Assessor's Parcels Fiscal Year 2021- 2022:	Land Use Class	Number of Dwelling Units Classified as Developed Property	Number of Projected Dwelling Units Not Classified as Developed Property	Total Projected Dwelling Units at Buildout*
478-010-072	Undeveloped Property	0	180	180
478-010-073	Undeveloped Property	0	0	0
478-010-074	Undeveloped Property	0	0	0
Total		0	180	180

* The above table shows the Projected Dwelling Units within Tentative Tract No. TTM3215R01. At the beginning of each Fiscal Year, the information provided will be revised as described above.

3. Reduction of Special Tax.

Notwithstanding Section C.1 and Section C.2, up to 120 days prior to the expected issuance of the first series of Bonds, the Board may determine, by resolution, upon a date set by the Board at its sole discretion on or before the date of issuance of the first series of Bonds to reduce the Assigned Special Tax applicable to Developed Property (Section C.1.(b)) and the Maximum Special Tax applicable to Undeveloped Property, Property Owner Association Property that is not Exempt Property and Public Property that is not Exempt Property (Section C.2) to an amount which shall be designated by the Board in such resolution. Such amendment to the Assigned Special Tax applicable to Developed Property and Maximum Special Tax applicable to Undeveloped Property, Property Owner Association Property and Public Property shall thereafter be permanent.

Concurrent with the reduction of the Assigned Special Tax, the Board shall also reduce the Backup Special Tax applicable to an Assessor's Parcel of Residential Property. The reduced Backup Special Tax shall be calculated pursuant to the formula in Section C.1.(c) based on the reduced Maximum Special Tax rate for Undeveloped Property and shall also be designated in the Board resolution.

In the event of a Special Tax reduction pursuant to this Section C.3, the Board shall direct in such resolution that a notice of the reduction in the Special Tax shall be recorded pursuant to the requirement of law.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2022-2023 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property in an amount equal to the applicable Assigned Special Tax; and

Second: If additional moneys 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 in an amount up to 100% of the Maximum Special Tax for Undeveloped Property to satisfy the Special Tax Requirement; and

Third: If additional moneys 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 Public Property which is not Exempt Property and Property Owner Association Property which is not Exempt Property in an amount up to 100% of the Maximum Special Tax for Property Owner Association Property which is not Exempt Property and Public Property which is not Exempt Property to satisfy the Special Tax Requirement; and

Fourth: If additional moneys are needed to satisfy the Special Tax Requirement after the first three steps have been completed, the levy of the Special Tax on each Assessor's Parcel of Residential Property for which the Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to the Maximum Special Tax.

E. EXEMPTIONS

Any Assessor's Parcel within the boundaries of CFD No. 2021-1 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2021-1 shall be classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act. The total number of Projected Dwelling Units within CFD No. 2021-1 has been determined to be equal to 180 PDU as of the date of formation of CFD No. 2021-1, subject to change as set forth herein.

Except as limited in the following paragraph, the following Assessor's Parcels within the boundaries of CFD No. 2021-1 shall be classified as Exempt Property: (i) Assessor's Parcels which are classified by definition as Public Property or Property Owner Association Property, (ii) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, and (iii) Assessor's Parcels which are used for other types of public uses as determined by the Assistant Superintendent of Business Services.

Tax exempt status will be irrevocably assigned in the chronological order in which property becomes Exempt Property provided, however, that no such classification shall reduce the

Projected Dwelling Units of all Taxable Property within CFD No. 2021-1 to less than 162 PDU as determined by the Assistant Superintendent of Business Services. Public Property or Property Owner Association Property that would, if designated as Exempt Property, cause the Projected Dwelling Units of all Taxable Property to be less than 162 PDU shall be required to either (i) prepay the Special Tax for such Assessor's Parcel in full per PDU at the applicable Maximum Special Tax rate per PDU for Property Owner Association Property or Public Property (Section C.2) applied to property, which resulting amount is to be used as the Assigned Special Tax in the calculation of the prepayment pursuant to Section I.1 or (ii) be subject to taxation pursuant to the third step of Section D.

F. APPEAL

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 Assistant Superintendent of Business Services. The written notice of appeal must be filed within twelve months after having paid the first installment of the Special Tax that is disputed was levied and the property owner must be current and remain current in the payment of all Special Taxes levied.

The Assistant Superintendent of Business Services shall promptly review the 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 Assistant Superintendent of Business Services' decision requires that the Special Tax for an Assessor's Parcel be modified or changed in favor of the property owner, an adjustment shall be made to the Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s) and a cash refund shall be made representing the amount of the adjustment for the most recent Fiscal Year if the Assistant Superintendent of Business Services determines such funds are available. If funds are not available to provide a cash refund, a credit to the levy of Special Tax in one or more subsequent Fiscal Years shall be made in the same amount.

The Assistant Superintendent of Business Services may interpret this Rate and Method of Apportionment for purposes of clarifying ambiguity and make determinations relative to the amount of Special Taxes levied. This procedure shall be exclusive and its exhaustion by any property owner shall be a condition precedent to filing any legal actions by such property owner.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2021-1 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. ASSIGNED SPECIAL TAX REMAINDER FROM DEVELOPED PROPERTY

In any Fiscal Year, when proceeds of Assigned Special Taxes from Developed Property are greater than principal and interest on Bonds and the Administrative Expenses, such amount(s) shall be available for the School District, subject to any required reserve fund replenishment. The School District shall use proceeds for acquisition, construction or financing of school facilities in accordance with the Act and other applicable law, as determined by the School District.

I. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The Special Tax obligation may be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Undeveloped Property for which a Building Permit has been issued or is pending to be issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E, above. The prepayment amount for an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued or is pending to be issued shall be based on the Assigned Special Tax for the applicable Land Use Category shown in Table 1, above, based on the Building Permit for such Assessor's Parcel and the then current Assigned Special Tax rates. The Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax for such Assessor's Parcel permanently satisfied as described herein; provided that a prepayment may be made 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 Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) business days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2021-1 with respect to CFD No. 2021-1 in calculating the proper amount of a prepayment. Within fifteen (15) business days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the prepayment amount for such Assessor's Parcel.

- a) The prepayment amount for an Assessor's Parcel will be equal to the sum of (1) the present value of the Assigned Special Tax of such Assessor's Parcel and the amount determined pursuant to Section I.1.c., if applicable, using a discount rate equal to four point five percent (4.50%) prior to the issuance of Bonds or the Weighted Average Interest Rate after the issuance of Bonds and a term equal to the lesser of (i) the remaining term for which the Special Tax may be levied pursuant to Section J, below, or (ii) thirty-five (35) years plus (2) the redemption premium, if any, as provided in the Indenture. The redemption premium shall be calculated by multiplying the present value calculated pursuant to part (1) of the prior sentence by the applicable redemption premium percentage as of the prepayment calculation date as indicated in the Indenture.

Special Taxes that have already been levied as of the date of the prepayment shall not be considered in the calculations made pursuant to this Section I.1.

- b) A reasonable administrative fee (net of the non-refundable deposit) for determining and administering such prepayment shall be added to the amount determined in Section I.1.a.
- c) If at the date of the prepayment calculation all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property and Nonresidential Property within CFD No. 2021-1 being less than the total estimated Residential Property and Nonresidential Property that was assumed when the Bonds were issued as determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor's Parcel for which the prepayment is being sought shall be added to the Assigned Special Tax in Section I.1.a. (before calculating the present value) for purposes of calculating the prepayment amount.
- d) Prior to the issuance of Bonds, the prepayment amount, after reduction for administrative expenses, shall be deposited into a separate account held with the School District and disbursed to fund facilities authorized by CFD No. 2021-1 and in accordance with the documents approved by the School District related to CFD No. 2021-1. After the issuance of Bonds, the prepayment amount, after the reduction for administrative expenses, shall be deposited into the applicable accounts or funds established pursuant to the Indenture. If additional Bonds are anticipated to be issued at the time of the prepayment, not to include the refunding of any outstanding Bonds, the prepayment amount, after reduction for administrative expenses, shall be allocated as determined by the Assistant Superintendent of Business Services and deposited as directed above for both prepayments prior to the issuance of Bonds and after the issuance of Bonds.

Upon cash payment of the prepayment amount due pursuant to the above and upon owner providing confirmation from the County to the Assistant Superintendent of Business Services that all prior and current Fiscal Year's Special Taxes, including any delinquency penalties and interest, for such Assessor's Parcel has been paid, the School District 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 the owner 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 Assigned Special Taxes that may be levied on Taxable Property assuming buildout of CFD No. 2021-1, less Administrative Expenses, both prior to and after the proposed prepayment, is at least 1.1 times the annual debt service on all Outstanding Bonds in each future Fiscal Year.

Notwithstanding any of the foregoing, the Special Tax for an Assessor's Parcel shall be deemed to be prepaid in whole on the date on which a notice of special tax lien is recorded against the Assessor's Parcel showing that such Assessor's Parcel has been included in a

separate Community Facilities District of the School District. Upon such occurrence the School District 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.

2. Prepayment in Part

The Special Tax obligation for 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, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section I.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + G$$

These terms have the following meaning:

PP = the partial prepayment amount.

P_E = the prepayment amount calculated according to Section I.1.a.

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

G = the administrative fee determined in Section I.1.b.

The owner of an Assessor's Parcel who desires to partially prepay the Special Tax obligation shall notify the Assistant Superintendent of Business Services of (i) such owner's intent to partially prepay the Special Tax obligation, and (ii) the percentage by which the Special Tax obligation shall be prepaid, and within five (5) days of receipt of such notice, the Assistant Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit to cover the cost to be incurred by CFD No. 2021-1 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel for which the Special Tax obligation is partially prepaid, the Assistant Superintendent of Business Services shall (i) distribute the funds remitted pursuant to Section I.1.d, and (ii) indicate in the records of CFD No. 2021-1 with respect to CFD No. 2021-1 that there has been a partial prepayment of the Special Tax obligation and that a portion of the Assigned Special Tax and Backup Special Tax equal to the outstanding percentage (1.00 - F) of the Assigned Special Tax and Backup Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D, above.

Notwithstanding the foregoing, no partial Special Tax prepayment shall be allowed unless the amount of Assigned Special Taxes that may be levied on Taxable Property assuming buildout of CFD No. 2021-1, less Administrative Expenses, both prior to and after the proposed partial

prepayment, is at least 1.1 times the annual debt service on all Outstanding Bonds in each future Fiscal Year.

J. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on each Assessor's Parcels of Taxable Property for a term of five (5) Fiscal Years after the final maturity of the last series of Bonds, provided that the Special Taxes shall not be levied later than Fiscal Year 2070/71.

K. PURPOSE OF THE SPECIAL TAXES

A summary of the proposed facilities to be financed include, but is not limited to, (1) water and sewer facilities of Eastern Municipal Water District, and (2) for acquisition, construction, or financing of school facilities in accordance with the Act and other applicable law. The authorized facilities are detailed in the Resolution of Intention to Establish CFD No. 2021-1 approved by the School District related to CFD No. 2021-1. The herein-provided Special Taxes are contractually encumbered and committed to the School District as contemplated by Section 9 of Article 1 of the California Constitution and the applicable provisions of the U.S. Constitution.