

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES
COMMUNITY FACILITIES DISTRICT NO. 2025-1
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. 2025-1 of the Temecula Valley Unified School District ("CFD No. 2025-1") commencing in Fiscal Year 2025/26 and collected each Fiscal Year thereafter, 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 as described below. All of the real property within the boundaries of CFD No. 2025-1, 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:

"Accessory Dwelling Unit" means an accessory dwelling unit which may be located within, attached to, or detached from the primary structure of a Dwelling Unit.

"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. 2025-1 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. 2025-1 or any designee thereof of complying with arbitrage rebate requirements; (vi) the costs to the School District, CFD No. 2025-1 or any designee thereof of complying with School District's or CFD No. 2025-1's 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. 2025-1, including its Special Taxes; (viii) the costs associated with the computation of the Backup Special Tax; (ix) the costs of the School District, CFD No. 2025-1 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. 2025-1. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2025-1 for any formation or other administrative purposes of CFD No. 2025-1, including attorney's fees and other costs

related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

“Assessor’s Parcel” 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 of the County designating parcels by Assessor’s Parcel number.

“Assigned Special Tax” means the Special Tax which may be annually levied on an Assessor’s Parcel of Developed Property, or portion thereof, as determined in accordance with Section C.1.b.

“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, or portion thereof, as determined in accordance with Section C.1.c.

“Board” means the Governing Board of the School District acting as the legislative body of CFD No. 2025-1.

“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. 2025-1 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 which are secured by a pledge of the Special Taxes.

“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. 2025-1, may rely on, the square footage, including the square footage of an Accessory Dwelling Unit, as may be identified on the building permit(s) issued by the applicable issuing agency if such square footage calculation is found consistent with such code section. Modifications to the Developed Floor Area shown on 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 be subject to then current development fees and not used to determine or adjust the Developed Floor Area used in the application of this Rate and Method of Apportionment. Additional Dwelling Units, such as an attached or detached Accessory Dwelling Unit, permitted after first

occupancy of the original Dwelling Unit shall be subject to then current development fees and not used to determine or adjust the Developed Floor Area used in the application of this Rate and Method of Apportionment or subject to the Special Tax as a Dwelling Unit.

“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.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section E, or Assessor’s Parcels designated as being exempt from Special Taxes pursuant to the definition of Welfare Exemption Property determined as applicable in such Fiscal Year as described.

“Final Map” means 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, a condominium plan pursuant to California Civil Code Section 6624 or functionally equivalent map or instrument recorded with the County recorder 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.

“Initial Fiscal Year” means Fiscal Year 2025/26.

“Independent Facility” means a structure identified on a building permit for residential use that provides the ability to live independently from another attached or detached structure. Independent Facility includes but is not limited to an individual single-family detached or attached home, townhome, condominium, apartment or other such residential dwelling unit, including each separate living area within a duplex, triplex, fourplex, or other residential structure, that comprises an Independent Facility capable of conveyance or as a rental separate from the primary dwelling unit(s). This definition excludes Accessory Dwelling Unit(s) if they are permitted prior to first occupancy of the primary dwelling unit, such that the Developed Floor Area of an Accessory Dwelling Unit is included as part of the Developed Floor Area of the primary dwelling unit. If the Accessory Dwelling Unit is permitted after first occupancy of the original dwelling unit then the Accessory Dwelling Unit shall be subject to then current development fees and shall not be used to determine or adjust the Developed Floor Area of the primary dwelling unit used in the application of this Rate and Method of Apportionment or subject to the Special Tax as a Dwelling Unit. If an Accessory Dwelling Unit that was permitted prior to the initial occupancy of the primary dwelling unit is conveyed independently of the primary dwelling unit, the Developed Floor Area of the Accessory Dwelling Unit shall

continue to be included as part of the Developed Floor Area of the primary dwelling unit for purposes of the application of this Rate and Method of Apportionment.

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

“Land Use Class” means the identified class of Taxable Property within CFD No. 2025-1 to include Developed Property, Undeveloped Property, Property Owner Association Property that is not Exempt Property or Public Property that is not Exempt Property.

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

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for the construction of a non-residential structure. All Non-Residential Property is subject to the Non-Residential Property Payment Obligation prior to receipt of a certificate of compliance by the School District.

“Non-Residential Property Payment Obligation” means, prior to the issuance of the last series of Bonds, other than Bonds issued solely for refunding purposes, at the time of the issuance of a certificate of compliance for any Non-Residential Property, the owner of such property shall pay Statutory School Fees after which the School District shall extinguish the Special Tax obligation of CFD No. 2025-1 for such Assessor’s Parcel(s) if such Assessor’s Parcel includes only Non-Residential Property and is designated as fully developed by the Assistant Superintendent of Business Services. After the issuance of the last series of Bonds, other than Bonds issued solely for refunding purposes, the Non-Residential Property Payment Obligation due at time of the issuance of a certificate of compliance for any Non-Residential Property 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.1 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 Services. 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. 2025-1 to fully extinguish the Special Tax obligation of CFD No. 2025-1 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).

Property Owner Association Property” means, for each Fiscal Year, all Assessor Parcels within the boundaries of CFD No. 2025-1 that are owned by a property owner association,

including any master or sub-association as shown on the closed 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 Acreage of all Taxable Property within CFD No. 2025-1 to less than the minimum Acreage pursuant to Section E.

“Proportionately” means, for Developed Property classified as Residential Property, that the quotient of (i) the actual Special Tax levy less the Assigned Special Tax divided by (ii) the Backup Special Tax less the Assigned Special Tax is equal for all Assessor’s Parcels of Developed Property for which the Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Undeveloped Property. For Non-Residential Property that is not Exempt Property, Property Owner Association Property that is not Exempt Property, and Public Property that is not Exempt Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor’s Parcels of Non-Residential Property, Property Owner Association Property and Public Property, respectively.

“Public Property” means, for each Fiscal Year, all Assessor’s Parcels within the boundaries of CFD No. 2025-1 that are (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 closed 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 closed roll of the County which is available on or about July 1st of the Fiscal Year or (3) Assessor’s Parcels which are used for other types of public uses as determined by the Assistant Superintendent of Business Services, provided however, that no such classification shall reduce the Acreage of all Taxable Property to less than the minimum Acreage pursuant to Section E 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 at the rate as described in Section C.2. and as applicable per Section D.

“Rate and Method of Apportionment” means the “Rate and Method of Appointment of Special Taxes for Community Facilities District No. 2025-1 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 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. 2025-1 in accordance with this Rate and Method of Apportionment.

“Special Tax Requirement” means that amount required in any Fiscal Year for CFD No. 2025-1 to: (i) pay Administration Expenses of CFD No. 2025-1 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; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2025-1 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 levied on Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2025-1 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 levied on 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 School 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. 2025-1 for which (i) the Special Tax has not been fully prepaid pursuant to Section I.1 or, (ii) the Assessor Parcel has not been classified as Exempt Property.

“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 that is not Exempt Property or Public Property that is not Exempt Property.

“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 each Bond multiplied by the number of years such Bond is outstanding.

“Welfare Exemption Property” means, for each Fiscal Year, any Assessor’s Parcel within the boundaries of CFD No. 2025-1 that has received a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code and for which such welfare exemption is still in place, as a result of which, except as provided in the following clause, the Assessor’s Parcel shall be exempt from Special Tax; provided however, after the issuance of Bonds, an Assessor’s Parcel of Welfare Exemption Property shall not be exempt from Special Taxes and

shall be taxed at the rate as described in Section C.2. and as applicable per Section D if the Assessor's Parcel had not been Welfare Exemption Property on the date of issuance of the Bonds.

“Zone(s)” means Zone A or Zone B as geographically identified on Exhibit “A” attached to this Rate and Method of Apportionment.

“Zone A” means the specific area identified on Exhibit “A” attached to this Rate and Method of Apportionment as Zone A of the CFD.

“Zone B” means the specific area identified on Exhibit “A” attached to this Rate and Method of Apportionment as Zone B of the CFD.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year for the term of the Special Tax, all Assessor's Parcels within CFD No. 2025-1 shall be assigned to either Zone A or Zone B and then shall be classified as either Taxable or Exempt Property. Taxable Property shall be further classified as 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.

After the issuance of Bonds, once an Assessor's Parcel or a portion thereof has been taxed in any Fiscal Year as Developed Property, the Assessor's Parcel, or area of land such Assessor Parcel contains if further subdivision occurs, shall continue to be taxed as Developed Property regardless of changes to or expiration of the building permit records at the time of Bond issuance, and regardless of revisions to or destruction of the structure that was or was expected to be constructed pursuant to the building permit records at the time of Bond issuance. The Assigned Special Tax applicable to that Assessor's Parcel, or area of land such Assessor Parcel contains if further subdivision occurs, shall not be reduced in future Fiscal Years regardless of changes described above or changes in land use on the Assessor's Parcel.

C. MAXIMUM SPECIAL TAX RATE

An Assessor's Parcel may contain more than one Land Use Class and/or 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 Class and 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.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor's Parcel, or portion thereof, classified as Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property
for the Initial Fiscal Year

Land Use Category	Taxable Unit	Developed Floor Area	Assigned Special Tax Per Taxable Unit
Zone A			
1 - Residential Property	DU	Less than 1,900 sq. ft.	\$1,395.00
2 - Residential Property	DU	1,900 sq. ft. to 2,100 sq. ft.	\$1,620.00
3 - Residential Property	DU	2,101 sq. ft. to 2,300 sq. ft.	\$1,845.00
4 - Residential Property	DU	2,301 sq. ft. to 2,500 sq. ft.	\$2,070.00
5 - Residential Property	DU	Greater than 2,500 sq. ft.	\$2,295.00
6 – Non-Residential Property	Acre	NA	\$20,709.70
Zone B			
1 – Residential Property	DU	Less than 4,000 sq. ft.	\$2,250.00
2 – Residential Property	DU	Greater than 3,999 sq. ft.	\$2,925.00
3 - Non-Residential Property	Acre	N/A	\$7,231.12

c. Backup Special Tax

The Backup Special Tax per Dwelling Unit of Residential Property by Zone is provided in Table 2 below. The Backup Special Tax per Assessor's Parcel of

Residential Property within each Zone of CFD No. 2025-1 was determined by multiplying the Maximum Special Tax per Acre for Undeveloped Property for the Initial Fiscal Year by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in the portion of such Final Map included within such Zone of CFD No. 2025-1 and dividing such amount by the number of Assessor's Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or Dwelling Units) within such Zone and Final Map included within CFD No. 2025-1. Table 2 below provides the calculation of the Backup Special Tax for the Initial Fiscal Year for both Zone A and Zone B of CFD No. 2025-1.

TABLE 2
Backup Special Tax
for the Initial Fiscal Year

Zone Tract Map and Planning Area	Final Map Acreage of Taxable Property	Projected Number of Residential Dwelling Units	Status of Backup Tax*	Backup Special Tax per Lot or Dwelling Unit*
Zone A; Tract Map 37926 – PA 12	10.2343	104	Final	(\$20,709.70 times 10.2343 divided by 104 lots) \$2,037.97
Zone B; Tract Map 37928 – PA 33A and Tract Map 37925 – PA 10	11.1324	28	Final	(\$7,231.12 times 11.1324 divided by 28 lots) \$2,875.00

* Note: The Backup Special Tax per affected lot may be modified if the Final Map is modified as described below.

Notwithstanding the foregoing, if all or any portion of the applicable Final Maps contained within the boundaries of CFD No. 2025-1 is subsequently changed or modified, then the Backup Special Tax for each Dwelling Unit of Residential Property in such Final Map area contained within the boundaries of CFD No. 2025-1 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 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 to be constructed within such a changed or modified Final Map area contained within the boundaries of CFD No. 2025-1, as reasonably determined by the Assistant Superintendent of Business Services.

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 area contained within the boundaries of CFD No. 2025-1.

d. Annual Special Tax Increases

Each July 1st, commencing July 1, 2026, the Assigned Special Taxes and the Backup Special Tax shall increase by two percent (2%) of the amount established in the prior Fiscal Year.

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

a. Maximum Special Tax

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. 2025-1 shall be \$20,709.70 per Acre for Zone A and \$7,231.12 per Acre for Zone B for the Initial Fiscal Year.

b. Annual Special Tax Increases

Each July 1st, commencing July 1, 2026, the Assigned Special Taxes and the Backup Special Tax shall increase by two percent (2%) of the amount established in the prior Fiscal Year.

3. Reduction of Special Tax.

Up to one hundred-twenty (120) days prior to the expected issuance of the first series of Bonds, the Assigned Special Tax applicable to Developed Property, under Section C.1.(b), and Maximum Special Tax applicable to Undeveloped Property, Property Owner Association Property, and Public Property, under Section C.2., may be reduced in accordance with the documents approved by the School District related to CFD No. 2025-1 .

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) above based on the reduced Maximum Special Tax rate for Undeveloped Property.

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

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with the Initial Fiscal Year and for each following Fiscal Year for the term of the Special Tax, the School District shall levy the Special Tax as detailed in the following steps:

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

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 each Zone in an amount up to one hundred percent (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 each Zone in an amount up to one hundred percent (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 in each Zone.

Under no circumstances may the Special Tax on one Assessor's Parcel be increased by more than ten percent (10%) as a consequence of delinquency or default in payment of the Special Tax levied on another Assessor's Parcel or Assessor's Parcels.

E. EXEMPTIONS

As of the date of formation, applicable Assessor's Parcels within the boundaries of CFD No. 2025-1 meeting the definition of Public Property or Property Owner Association Property have been classified as Exempt Property and shall be exempt from the Special Tax in accordance with Section 53340 of the Act. Except as limited in the following paragraph, after the date of formation Assessor's Parcels within the boundaries of CFD No. 2025-1 which are classified by definition as Public Property or Property Owner Association Property shall be identified and annually classified as Exempt Property and shall be exempt from the Special Tax.

Tax exempt status will be irrevocably assigned on an annual basis to Assessor's Parcels as described in the previous paragraph in the chronological order in which property becomes

Exempt Property provided, however, that no such classification shall reduce the Acreage of all Taxable Property within CFD No. 2025-1 to less than 9.2109 Acres within Zone A and 10.0192 Acres within Zone B 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 Acreage of all Taxable Property to be less than 9.2109 Acres in Zone A or 10.0192 Acres in Zone B shall be required to either (i) prepay the Special Tax for such Assessor's Parcel in full per Acre at the applicable Maximum Special Tax rate per Acre for Property Owner Association Property or Public Property (Section C.2) applied to the Acres of such Assessor's Parcel within such Zone, 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 (12) 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 on or before the payment date.

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 up to the same amount of the required adjustment.

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. 2025-1 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 the Special Tax Requirement, 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, other applicable law, and documents approved by the School District related to CFD No. 2025-1 as determined by the School District.

I. PREPAYMENT OF SPECIAL TAX

1. Prepayment in Full

The Special Tax obligation may only be prepaid and permanently satisfied for an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, and Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Prepayment Amount (defined below) for an Assessor's Parcel of Undeveloped Property for which a building permit has been issued shall be based on the Assigned Special Tax for the applicable Zone and Land Use Category shown in Table 1 based on the building permit issued 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. 2025-1 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 five and one-half percent (5.50%) 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 or (ii) thirty-five (35) years plus (2) the redemption premium, if any, as provided in the Indenture ("Prepayment Amount"). 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 within CFD No. 2025-1 being less than the total estimated Residential 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. 2025-1 and in accordance with the documents approved by the School District related to CFD No. 2025-1. 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. 2025-1, 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, as an alternative prepayment method prior to the issuance of Bonds, 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. 2025-1 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. 2025-1 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.

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. 2025-1, 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.

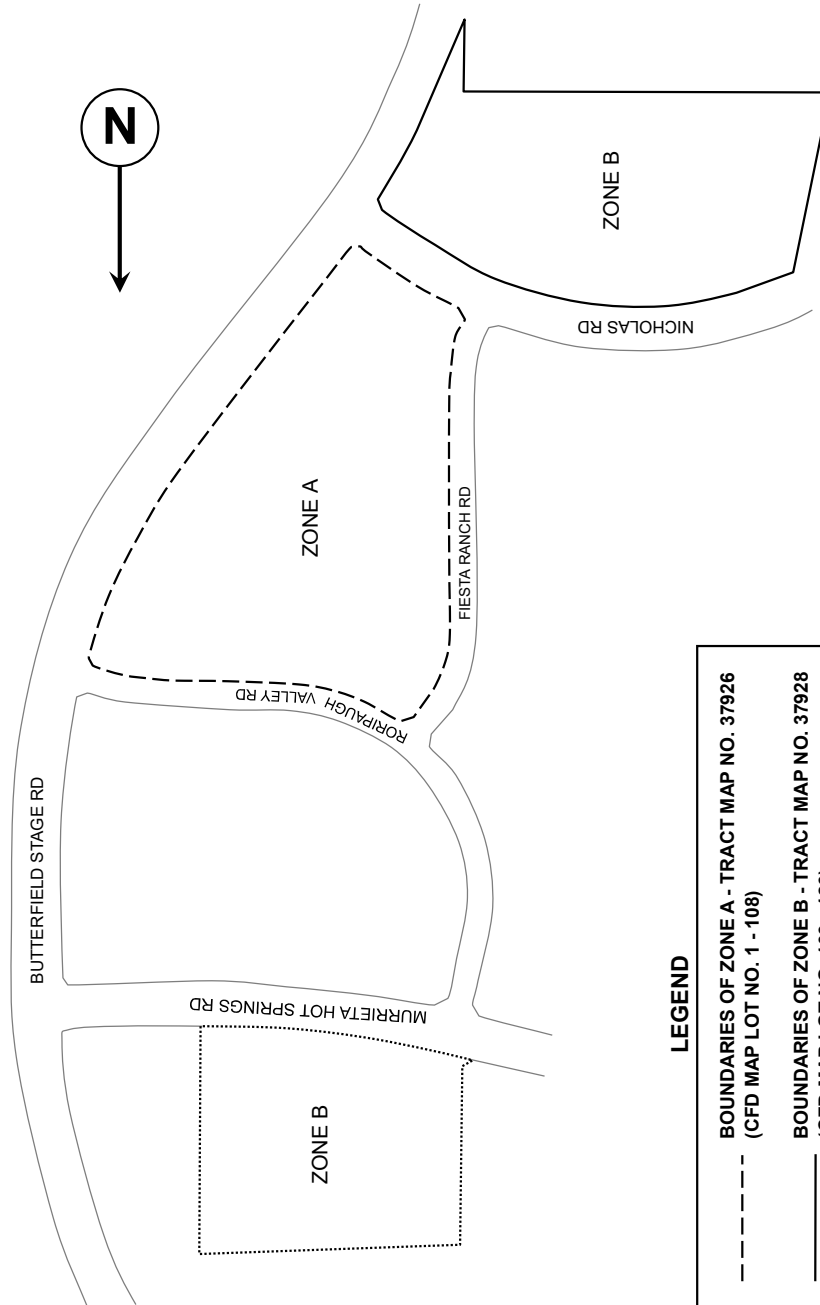
K. PURPOSE OF THE SPECIAL TAXES

The authorized facilities that may be funded and financed by CFD 2025-1 are detailed in the Resolution of Intention to Establish CFD No. 2025-1 approved by the School District related to CFD No. 2025-1. A summary of the proposed facilities to be funded and financed include, but is not limited to, elementary, middle, and high school buildings; special education facilities and transportation facilities, as well as central administration and support facilities as needed and applicable, together with land and all necessary equipment including technology improvements, equipment and personal property of the School District, with an estimated useful life of five (5) years or longer to serve the properties and students within CFD No. 2025-1, and the School District. 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 Federal Constitution.

EXHIBIT "A"
DEPICTION OF ZONE LOCATION

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2025-1
DEPICTION OF ZONE LOCATIONS

SHEET 1 OF 1



LEGEND

- BOUNDARIES OF ZONE A - TRACT MAP NO. 37926
(CFD MAP LOT NO. 1 - 108)
- BOUNDARIES OF ZONE B - TRACT MAP NO. 37928
(CFD MAP LOT NO. 109 - 126)
- BOUNDARIES OF ZONE B - TRACT MAP NO. 37925
(CFD MAP LOT NO. 127 - 142)

FOR FURTHER PARTICULARS REFERENCE
THE TEMECULA VALLEY UNIFIED SCHOOL
DISTRICT COMMUNITY FACILITIES DISTRICT
NO. 2025-1 BOUNDARY MAP ("CFD MAP").

