RATE AND METHOD OF APPORTIONMENT OF THE SPECIAL TAX

TEMECULA VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2002-1
IMPROVEMENT AREA 1

The Board of Education ("Board") of the Temecula Valley Unified School District ("School District"), acting as the Legislative Body of Improvement Area 1 (the "Improvement Area") of Community Facilities District No. 2002-1 of the Temecula Valley Unified School District ("CFD" or "District"), shall levy and collect special taxes ("Special Taxes") applicable to each Assessor's Parcel (as defined below) located within the boundaries of the Improvement Area.

The Special Taxes will be levied as herein specified. All property located within the boundaries of the CFD shall be taxed, to the extent and in the manner herein set forth, unless exempted by law or as herein provided.

Section 1. Definitions

The following terms shall, unless otherwise defined herein, have the meaning(s) set forth below:

"Acre(s)" applies only to Undeveloped Property and means the acreage of an Assessor's Parcel as set forth on the most current Riverside County assessor's map if such acreage is shown thereon. If such acreage is not shown on such map, the acreage shall be the acreage information shown upon any recorded subdivision map, parcel map, record of survey, or other recorded document describing the property. If none of the above information is available, or is in conflict, the determination of the acreage shall be made by the School District on behalf of the District.

"Act" means the Mello-Roos Community Facilities District Act of 1982, as amended, being Section 53311, et seq. of the California Government Code.

"Actual Average Annual Maximum Special Tax per Dwelling Unit" means the total Annual Maximum Special Tax – Developed Property revenue for all Dwelling Units for which Certificates of Compliance have been and are being requested for a Special Tax Area divided by the total number of Dwelling Units for which Certificates of Compliance have been and are being requested in the Special Tax Area.

"Administrative Expense" means any actual or estimated ordinary and necessary expense incurred by the School District on behalf of the CFD related to the determination, tracking, levy and collection of Special Taxes including, but not limited to, the expenses of collecting delinquencies, the administration of Bonds, the appropriate allocation of salaries and benefits of any School District employee whose duties are directly related to the administration of the CFD, and costs otherwise incurred in order to carry out the authorized purposes of the CFD.

"Annual Maximum Special Taxes" means the Annual Maximum Special Tax – Developed Property and the Annual Maximum Special Tax – Undeveloped Property which may be levied annually as described herein.

"Annual Maximum Special Tax - Developed Property" means the maximum Special Tax which may be annually levied on an Assessor's Parcel that has been classified as Developed Property. The Annual Maximum Special Tax - Developed Property for a Dwelling Unit is not subject to the Index.

"Annual Maximum Special Tax - Undeveloped Property" means the maximum Special Tax which may be annually levied on an Assessor's Parcel that has been classified as Undeveloped Property as described in Section 3(B).

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

"Available Funds" means the following sources in those Fiscal Years in which the levy of Special Taxes on Undeveloped Property is required to satisfy the Special Tax Requirement . These sources are (i) earnings from investment of funds in the reserve fund in excess of the reserve requirement and (ii) Special Taxes and the proceeds of collections of delinquent Special Taxes through foreclosure proceedings or otherwise not required to fund Administrative Expenses, replenish the reserve fund or pay past due debt service.

"Board" means the Board of Education of the School District.

"Bonds" means bonds or equivalent securities authorized and issued or to be issued on behalf of the CFD, including but not limited to, certificates of participation or leases issued and sold by or on behalf of the CFD or which are to be funded by proceeds of Special Taxes of the CFD, or to which all or a portion of the Special Taxes have been pledged to finance School Facilities.

"Building Square Footage" means for any Assessor's Parcel of Residential Property the square footage of each Dwelling Unit determined by calculating the habitable space of the improvement (exclusive of garages, carports, overhangs or patios). For purposes of this determination, the District may rely on the square footage as identified on the building permit(s) issued by the applicable issuing agency. The Building Square Footage will be based upon the building permit(s) issued for each Dwelling Unit prior to it being classified as Occupied Residential Property, and shall not change as a result of

additions or modifications made after such classification as Occupied Residential Property.

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

"Certificate of Compliance" means the document prepared by the County or other public agency and signed off by the School District to allow for the issuance of a building permit pursuant to Education Code 17620 or any successor section thereto.

"Community Facilities District No. 2002–1 Special Tax Areas Map" means that map so designated and included as Exhibit "A" hereto..

"County" means the County of Riverside.

"Developed Property" means Assessor Parcels for which a building permit has been issued by the applicable agency on or before the March 1 prior to each Fiscal Year which is not Exempt Property and for which the Annual Maximum Special Tax - Developed Property obligation has not been fully prepaid and/or permanently satisfied. Assessor Parcels for which a building permit has been issued by the applicable agency on or before March 1 shall be designated as Developed Property and subject to the levy of the Annual Maximum Special Tax - Developed Property in the following Fiscal Year. If a building permit has been issued for which the improvements to be constructed by the building permit together with previously issued building permits, if applicable, does not constitute the ultimate development of the entire Assessor's Parcel, as reasonably determined by the School District, the remaining undeveloped portion of the Assessor's Parcel will be classified as Undeveloped Property and will be subject to the levy of the Annual Maximum Special Tax - Undeveloped Property as herein provided.

"Dwelling Unit" means one residential unit or any configuration, including, but not limited to, a single family attached or detached dwelling unit, condominium, an apartment unit, mobile home, or otherwise, but excludes therefrom hotels and motels.

"Exempt Property" means all Assessor Parcels which are exempt from the Special Tax pursuant to law or Section 8, hereof.

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

"Index" means the annual percentage change in the statewide cost index employed by the State Allocation Board, or comparable index designated by the District if the Index ceases to be published for the preceding calendar year. The first increase shall occur March 1, 2002. The increase in the Index to be in effect for Fiscal Year 2002/03 shall be based upon the last available data as of March 1, 2002.

"Land Use Classification" means the land use classifications listed in Table 1.

"Mitigation Payment" means, for all property within Tract 28753, an amount per Dwelling Unit of $10,660 in 2001 dollars, escalated per the Index effective each March 1, commencing March 1, 2002. Mitigation Payment means, for all property within Tract 26828 an amount equal to the then current School District "Level II" fee calculated pursuant to Government Code Section 65995 et seq. or any successor section thereto, times 1.5 (i.e. 150%) per square foot per Dwelling Unit. In the event the School District no longer has adopted or has in force a Level II fee, the amount per square foot shall be equal to the School District's last adopted Level II fee, as adjusted annually per the Index from the last date adopted and adjusted annually thereafter per the Index; or the then current School District's Level I fee, calculated pursuant to Government Code Section 65995 et seq., or any successor section thereto, which ever is higher.

"Non-Residential Property" means all Developed Property within the Improvement Area for which a Certificate of Compliance is requested or has been issued for the purpose of constructing commercial, industrial or any other non-residential use.

"Occupied Residential Property" means all Assessor's Parcels of Residential Property which have closed escrow to an end user (homeowner).

"One-Time Special Taxes" means: (1) the Special Tax which may be levied at the time of recordation of a final map as to the One-Time Special Tax - Undeveloped Property; (2) the Special Tax which may be levied at the time of Bond issuance as to the One-Time Special Tax – Developed Property – Facilities Funding Shortfall; (3) the Special Tax which may be levied at the time of issuance of a Certificate of Compliance, which includes: (a) the One-Time Special Tax – Developed Property – Mitigation Payment Index; (b) the One-Time Special Tax – Developed Property – Mitigation Payment Differential; (c) the One-Time Special Tax – Developed Property – Square Footage Shortfall; and, (d) the One-Time Special Tax – Developed Property – Second Dwelling Unit.

"Owner" means the Rancho Bella Vista, LLC, a limited liability company or their successors, or assigns.

"Required Average Annual Maximum Special Tax per Dwelling Unit" means the average annual required amount per Dwelling Unit for each Special Tax Area as shown on the Community Facilities District No. 2002-1 Special Tax Areas Map of $864.60 for Area 11A, $988.86 for Area 17B, $908.82 for Area 16A, $1,195.19 for Area 16C, $1,315.05 for Area 16D and $1,291.01 for Tract 26828, subject to adjustment pursuant to Section 4-A below.

"Residential Property" means all Developed Property within the Improvement Area for which a Certificate of Compliance is requested or has been issued for the purpose of constructing one or more Dwelling Units.

"School District" means the Temecula Valley Unified School District.

"School Facilities" means the design, planning, acquisition, installation, construction and/or financing of interim and permanent facilities, including, but not limited to, 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 order to serve the project students, 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 all with a useful life of five years or longer.

"Second Dwelling Unit" means a Dwelling Unit that is determined by the criteria of the County from time to time to be classified as a second dwelling unit. The current requirements are 1) the unit is a detached secondary building, and 2) the unit is larger than 1/50th of the entire parcel, and 3) the unit has its own cooking facilities.

"Special Tax" or **"Special Taxes"** means the special tax to be levied in each Fiscal Year on each Assessor Parcel of Developed Property and Undeveloped Property pursuant to Section 3, and the One-Time Special Taxes collected pursuant to Section 4, if any, of this Rate and Method of Apportionment.

"Special Tax Area" means the geographical areas as shown on the Special Tax Areas Map included as Exhibit "A".

"Special Tax Requirement" means the total amount required in any Fiscal Year, pursuant to the CFD Bond documents to: (1) Pay annual debt service on all then outstanding Bonds, (2) Pay periodic costs on the Bonds including, but not limited to, credit enhancement and rebate payments on the Bonds, (3) Pay Administrative Expenses, (4) Pay any amounts required to replenish any reserve fund related to all then-outstanding Bonds, and (5) Pay for pay-as-you-go School Facilities with a useful life of five years or longer the benefit of which inures to the benefit of the properties within the Improvement Area, less (6) Available Funds. The addition of any of the amounts added pursuant to item (5) is only to the extent that it does not increase or cause the levy of the Annual Maximum Special Tax - Undeveloped Property.

"Taxable Property" means all Assessor Parcels, except Exempt Property, that are subject to the levy of the Special Taxes.

"Undeveloped Property" means all Assessor Parcels that are not classified as Developed Property or Exempt Property.

Section 2. Assignment to Land Use Classifications

The District shall annually classify all Assessor Parcels within the boundaries of the Improvement Area as Developed Property, Undeveloped Property or Exempt Property. Such classification shall be made on or before July 1 of each year. All Developed Property shall be assigned to one of the applicable designated Land Use Classifications listed in Table 1 and taxed as set forth in Table 2. For purposes of this determination, the District may rely on the Building Square Footage as identified on the building permit(s) issued by the applicable issuing agency. Undeveloped Property shall be taxed as set forth in Section 3(B) below.

Table 1
Land Use Classifications for Developed Property

Land Use Classification	Description	
	Type of Development	Building Square Footage
1	Residential Dwelling Unit	Less than 2,000 square feet
2	Residential Dwelling Unit	2,000 to 2,249 square feet
3	Residential Dwelling Unit	2,250 to 2,499 square feet
4	Residential Dwelling Unit	2,500 to 2,749 square feet
5	Residential Dwelling Unit	2,750 to 2,999 square feet
6	Residential Dwelling Unit	3,000 to 3,249 square feet
7	Residential Dwelling Unit	3,250 to 3,499 square feet
8	Residential Dwelling Unit	3,500 square feet or greater

Section 3. Annual Maximum Special Taxes

A. Annual Maximum Special Tax - Developed Property

The Annual Maximum Special Tax - Developed Property for each Assessor Parcel classified as Developed Property shall be the amount determined by reference to Table 2 as applicable.

Table 2
Annual Maximum Special Tax - Developed Property
Fiscal Year 2001/02 per Land Use Classification

Land Use Classification	Annual Maximum Special Tax – Developed Property Fiscal Year 2001-02
1	$827.64 per Dwelling Unit
2	$907.48 per Dwelling Unit
3	$957.12 per Dwelling Unit
4	$1,079.06 per Dwelling Unit
5	$1,165.38 per Dwelling Unit
6	$1,279.76 per Dwelling Unit
7	$1,430.82 per Dwelling Unit
8	$1,440.08 per Dwelling Unit

B. Annual Maximum Special Tax - Undeveloped Property

The Annual Maximum Special Tax - Undeveloped Property for each Assessor Parcel classified as Undeveloped Property shall be $8,860.00 per Acre.

Section 4. One-Time Special Taxes

The purpose, method of calculating, and timing of payment of the One-Time Special Taxes are as described below.

A. One-Time Special Tax - Undeveloped Property

Summary: The purpose of the One-Time Special Tax - Undeveloped Property is to guard against the loss of projected Dwelling Units in Special Tax Areas with a Prepayment Land Use Classification as identified on Table 3 of 4 through 7 prior to the issuance of Bonds and in all Special Tax Areas after the issuance of Bonds. In addition, the One-Time Special Tax – Undeveloped Property guards against the loss of revenue from a gain in the number of Dwelling Units in Special Tax Areas with a Prepayment Land Use Classification as identified in Table 3 of 1 through 3. The calculation is done by the District administrator prior to or at the recording of each final map. Payment of the applicable One-Time Special Tax – Undeveloped Property is due at the recording of the final map but no later than the first Certificate of Compliance issued for property within the final map, if conditions described below so warrant.

All of the future development within the Improvement Area has been divided into six Special Tax Areas. These Special Tax Areas are as shown on the Special Tax Areas Map. Each Special Tax Area has been assigned a number of Dwelling Units as shown in Table 3. At the recordation of each final subdivision or parcel map the area encompassed by the final map is compared by the District administrator to the Special Tax Areas Map and the information in Table 3. If the number of Dwelling Units for the Special Tax Area indicated on the final map is less than that shown in Table 3 prior to the issuance of Bonds, a One-Time Special Tax - Undeveloped Property for those Special Tax Areas identified with a Prepayment Land Use Classification – DU Loss in Table 3 below of 4, 5, 6, 7, or 8 is due for each Dwelling Unit lost (i.e. less than the designated number of Dwelling Units). If the number of Dwelling Units for the Special Tax Area indicated on the final map is less than that shown in Table 3 after the issuance of Bonds, a One-Time Special Tax - Undeveloped Property is due for each Dwelling Unit lost (i.e. less than the designated number of Dwelling Units).

The payment of the One-Time Special Tax – Undeveloped Property per Dwelling Unit lost is due to the District by the owner of the property within such final map at the time of the recording of the final map. Should the final map record without the obligation being paid, the outstanding obligation is not forgiven and must be paid prior to the issuance of the first, or any additional, Certificates of Compliance being issued for the owner of the property within such final map area.

Table 3
Assigned Dwelling Units per Special Tax Area

Tentative Tract Map Phasing	Special Tax Area	Number of Assigned Dwelling Units	Prepayment Land Use Class	
			DU Loss	DU Gain
28753	Area 11A	108	2	1
28753	Area 17B	114	4	1
28753	Area 16A	76	3	1
28753	Area 16C	85	6	4
28753	Area 16D	68	7	5
26828	Total Area	130	7	5
Total		581		

The amount of the One-Time Special Tax - Undeveloped Property which is due per Dwelling Unit lost prior to the issuance of Bonds for those Special Tax Areas with a Prepayment Land Use Classification – DU Loss of 4, 5, 6, 7, or 8 is calculated by the District administrator by inserting the difference between the Annual Maximum Special Tax – Developed Property for the Prepayment Land Use Class – DU Loss and $1,090.69 into the prepayment formula set forth in Section 7. The amount of the One-Time Special Tax - Undeveloped Property which is due per Dwelling Unit lost after the issuance of Bonds is calculated by inserting the Annual Maximum Special Tax –

Developed Property for the Prepayment Land Use Class – DU Loss per Special Tax Area as shown above in Table 3 into the prepayment formula set forth in Section 7. The amount of the One-Time Special Tax - Undeveloped Property which is due per Dwelling Unit gained after the issuance of Bonds for those Special Tax Areas with a Prepayment Land Use Classification – DU Gain of 1, 2, or 3 is calculated by inserting the difference between the Annual Maximum Special Tax – Developed Property for the Prepayment Land Use Class and $1,090.69 into the prepayment formula set forth in Section 7. When the amount of Dwelling Units shown on the final map is equal to the number shown in Table 3 above, no One-Time Special Tax - Undeveloped Property is due per Dwelling Unit. The District administrator shall have the authority and shall adjust the number of Dwelling Units in the appropriate Land Use Classification in Table 4 and update the definition of Required Average Annual Maximum Special Tax per Dwelling Unit due to any adjustment in the total number of Dwelling Units from that shown in Table 3 or, on a one-time basis immediately prior to the issuance on Bonds, due to a change in the mix of Dwelling Units among Land Use Classifications within a Special Tax Area, as provided in a written certification from the majority property owner within the Special Tax Area.

If the boundaries of any final map are not the same as the designated expected boundaries of a Special Tax Area as shown on the Special Tax Areas Map, the final map shall be evaluated by the District administrator in the context of the tentative map of which it is a part to determine whether the number of Dwelling Units contained in the final map may lead to an overall loss of Dwelling Units in that Special Tax Area as compared to Table 3. Should it appear that such a loss is likely, no Certificates of Compliance shall be issued for any Dwelling Units contained in the last final map that is recorded within the Special Tax Area until the One-Time Special Tax – Undeveloped Property is paid in full as described above.

After the sale of Bonds, the One-Time Special Tax – Undeveloped Property funds received by the CFD and due to a loss of Dwelling Units, less redemption premium and prepayment calculation fees shall be used to redeem the Bonds pursuant to the terms of the applicable Bond documents.

B. One-Time Special Tax - Developed Property – Facilities Funding Shortfall

Summary: The purpose of the One-Time Special Tax – Developed Property – Facilities Funding Shortfall is to insure the receipt per Dwelling Unit of the $10,660 in facilities dollars. The One-Time Special Tax – Developed Property – Facilities Funding Shortfall is calculated by the District administrator at the time Bonds are issued. If conditions described below so warrant, the One-Time Special Tax – Developed Property – Facilities Funding Shortfall is due to the District from the Owner concurrent with the closing of the issuance of Bonds.

The Special Tax Rates within the CFD have been established to fund a minimum facilities requirement in the amount of $10,660.00 per Dwelling Unit on average. At the time Bonds are issued the One-Time Special Tax – Developed Property – Facilities Funding Shortfall shall be calculated to determine that the required facilities dollars

threshold of $10,660 has been reached. If it is not reached, a One-Time Special Tax – Developed Property – Facilities Funding Shortfall shall be calculated by the District administrator and is due from the Owner per Dwelling Unit as determined at the time of the sale of bonds concurrent with the closing of the issuance of Bonds. The number of Dwelling Units determined at the time of the sale of Bonds may be adjusted from that shown on Table 3 as described herein. The One-Time Special Tax – Developed Property – Facilities Funding Shortfall is due to the District on all Dwelling Units within the Improvement Area , including, those with Certificates of Compliance and those without Certificates of Compliance as of the date of the Bond sale. If the Owner, as defined, does not pay the One-Time Special Tax – Developed Property – Facilities Funding Shortfall the burden of payment will be prorated by the District administrator by the Dwelling Units shown in Table 3, as adjusted, and due from the then Undeveloped Property owner(s) in each Special Tax Area. Until payment is received for all Undeveloped Property with common ownership no additional Certificates of Compliance shall be issued for the property owned by such Undeveloped Property owner.

The calculation of the One-Time Special Tax – Developed Property – Facilities Funding Shortfall is determined by taking the amount of funds deposited in the school facilities funding account as detailed in the Bond documents and dividing such amount by the total number of Dwelling Units shown in Table 3, as adjusted if required. Should the result of this division result in a figure less than $10,660, the difference, up to $10,660, shall be multiplied by the total number of Dwelling Units shown in Table 3, as adjusted if required.

C. One-Time Special Tax – Developed Property – Mitigation Payment Index

Summary: The purpose of the One-Time Special Tax – Developed Property – Mitigation Payment Index is to collect the indexing of the Mitigation Payment for Tract 28753. The One-Time Special Tax – Developed Property – Mitigation Payment Index is calculated annually by the District administrator as early as possible before March 1 starting March 1, 2002. The difference in the escalated Mitigation Payment for Dwelling Units within Tract 28753 and $10,660 is transmitted to the School District prior to March 1st of each year. This difference is collected by the School District at the issuance of a Certificate of Compliance for each Dwelling Unit.

The Special Tax rates within the Improvement Area have been established to fund a minimum facilities requirement in the amount of $10,660.00 per Dwelling Unit on average. This facilities requirement has been escalated per the Mitigation Agreement to March 2001. Each March 1st, starting March 1, 2002, the Mitigation Payment is subject to the Index. The difference in the then-current Mitigation Payment and $10,660 is the One-Time Special Tax – Developed Property – Mitigation Payment Index per Dwelling Unit. The One-Time Special Tax – Developed Property – Mitigation Payment Index per Dwelling Unit is due prior to the issuance of each Certificate of Compliance by the party requesting the Certificate of Compliance.

D. One-Time Special Tax – Developed Property – Mitigation Payment Differential

Summary: The purpose of the One-Time Special Tax – Developed Property – Mitigation Payment Differential is to collect the difference ~~in~~ between the then-current Mitigation Payment and $10,660 for Tract 26828. The One-Time Special Tax – Developed Property – Mitigation Payment Differential is calculated and collected by the School District at the issuance of each Certificate of Compliance for Dwelling Units with Tract 26828.

The Special Tax rates within the Improvement Area have been established to fund a minimum facilities requirement in the amount of $10,660.00 per Dwelling Unit on average. The Mitigation Payment for Tract 26828 is the then current School District "Level II" fee as calculated pursuant to Government Code Section 65995 et seq., or any successor section thereto, times 1.5 (i.e. 150%) per square foot per Dwelling Unit. In the event the School District no longer has adopted or has in force a Level II fee, the amount per square foot shall be equal to the School District's last adopted Level II fee as adjusted per the Index from the last date adopted and adjusted annually thereafter or the then current School District's Level I fee, which ever is higher. The One-Time Special Tax – Developed Property – Mitigation Payment Differential per Dwelling Unit is the amount by which the Mitigation Payment applicable to Tract 26828 exceeds $10,660 and is due prior to the issuance of each Certificate of Compliance by the party requesting the Certificate of Compliance.

E. One-Time Special Tax – Developed Property – Square Footage Shortfall

Summary: The purpose of the One-Time Special Tax – Developed Property – Square Footage Shortfall is to insure that the Annual Special Tax - Developed Property revenue meets the Required Average Annual Maximum Special Tax per Dwelling Unit per Special Tax Area. The School District shall track the of issuance of Certificates of Compliance by Land Use Classification for each Special Tax Area. Should the number of Certificates of Compliance proposed to be issued, plus those previously issued, exceed the number shown in Table 4 below per Special Tax Area per Land Use Classification, the School District shall immediately contact the District administrator. The District administrator will calculate the amount of the One-Time Special Tax – Developed Property – Square Footage Shortfall as described below which amount shall be paid to the District prior to the issuance of the requested *Certificates of Compliance.*

The possible refund of any excess payments of the One-Time Special Tax – Developed Property – Square Footage Shortfall as described below shall be calculated by the District administrator on an annual basis or at build out of a Special Tax Area if requested by the developer of such Special Tax Area.

All of the future development within the Improvement Area has been divided into six Special Tax Areas and each Special Tax Area has been assigned a number of Dwelling Units and corresponding Land Use Classifications as shown on the Special Tax Areas Map attached hereto as Exhibit "A" and shown in Table 4 below (as potentially adjusted

pursuant to Section 4(A) above). Should modifications be required pursuant to Section 4A above, corresponding modifications will be made by the District administrator to the definition of Required Average Annual Maximum Special Tax per Dwelling Unit. At the issuance of each Certificate of Compliance, or group of Certificates of Compliance, per Special Tax Area, each building permit will be assigned by the District administrator into its appropriate Land Use Classification. These Land Use Classifications will be tallied so that the total number of Dwelling Units per Land Use Classification per Special Tax Area is accumulated. At the time that the number of permits would, with the issuance of the Certificates of Compliance requested, equal or exceed the number of Dwelling Units assigned to a Land Use Classification per Special Tax Area, the Actual Average Annual Maximum Special Tax per Dwelling Unit shall be calculated by the District administrator. Should the Actual Average Annual Maximum Special Tax per Dwelling Unit per Special Tax Area, with the issuance of the proposed permits, be less than the Required Average Annual Maximum Special Tax per Dwelling Unit per Special Tax Area, the One-Time Special Tax – Developed Property – Square Footage Shortfall is due by the party requesting such Certificate of Compliance.

The amount of the One-Time Special Tax - Developed Property – Square Footage Shortfall which is due prior to the issuance of the requested Certificates of Compliance is the difference between the Required Average Annual Maximum Special Tax per Dwelling Unit for the Special Tax Area and the Actual Average Annual Maximum Special Tax per Dwelling Unit for the Special Tax Area. This amount is multiplied times the total number of building permits which have been issued and are proposed to be issued for the Special Tax Area with such result being inserted for the term “Annual Maximum Special Tax – Developed Property” in Section 7 of the prepayment formula. Any additional calculations of the One-Time Special Tax – Developed Property Square-Footage Shortfall after its initial calculation shall be reduced by the balance in the appropriate sub-account of the One-Time Special Tax fund, if any, as described below.

Table 4
Assigned Dwelling Units per Land Use Classification

Land Use Class-ification	Number of Dwelling Units						
	Area 11A	Area 17B	Area 16A	Area 16C	Area 16D	Tract 26828	Total
1	58	2	18				78
2	50	57	27				134
3			31				31
4		55		21			76
5				26	16	44	86
6				38	24	43	105
7					28	43	71
8							0
Total	108	114	76	85	68	130	581

All One-Time Special Tax – Developed Property – Square Footage Shortfall funds received by the CFD, less prepayment calculation fees, shall be deposited into one of six sub-accounts corresponding to the six identified Special Tax Areas under a One-Time Special Tax fund. All interest earnings in a sub-account of the One-Time Special Tax fund shall be retained in such sub-account.

When the final Certificates of *C*ompliance are requested for all the remaining property proposed to be developed in a Special Tax Area, the final calculation of the Actual Average Annual Maximum Special Tax per Dwelling Unit shall be performed by the District administrator. The Board, on the advice of the District administrator, shall then determine the disposition of the funds in the corresponding subaccount of the One-Time Special Tax fund, if any, in accordance with the following procedure:

If the Actual Average Annual Maximum Special Tax per Dwelling Unit for the Special Tax Area is equal to or greater than the Required Average Annual Maximum Special Tax per Dwelling Unit for the Special Tax Area, the balance, if any, in the corresponding subaccount of the One-Time Special Tax fund shall be refunded to the payer(s) in the proportion to prior payments made upon written request of the payer(s) to the School District. In no event shall the request for payment be made in excess of twelve months past the date the last Certificate of Compliance is issued within the Special Tax Area. After the twelve month period these funds will be retained by the District.

If for a given Special Tax Area, the Actual Average Annual Maximum Special Tax per Dwelling Unit is less than the Required Average Annual Maximum Special Tax per Dwelling Unit for the Special Tax Area, the amount of such difference shall be multiplied by the total number of Dwelling Units with the result being inserted for the term "Annual Maximum Special Tax – Developed Property" in Section 7 of the prepayment formula. If the amount determined in the preceding sentence, is less than the balance, if any, in the corresponding sub-account of the One-Time Special Tax fund, the amount of such difference shall be refunded to the payer(s) in proportion to prior payments made upon written request of the payer(s) to the School District. In no event shall the request for payment be made in excess of twelve months past the date the last Certificate of Compliance is issued within the Special Tax Area.

F. One-Time Special Tax – Developed Property - Second Dwelling Unit

Summary: The purpose of the One-Time Special Tax – Developed Property – Second Dwelling Unit is to collect the mitigation payment as set forth in the "Agreement for Mitigation of School Facility Impacts Between Temecula Valley Unified School District and Pacific Bay Homes" dated December 6, 1996. The determination and collection of such amount is to be made by the District at the time of the request for the issuance of a Certificate of Compliance for a Second Dwelling Unit.

If at any time a building permit is requested for a Dwelling Unit which can be further defined as a Second Dwelling Unit or a Second Dwelling Unit is included on the main building permit, a one-time payment is due from the party requesting the Certificate of Compliance at the time of building permit issuance equal to $7,687.00. The One-Time Special Tax – Developed Property - Second Dwelling Unit rate of $7,687.00 will annually increase per the Index.

Section 5. Levy of the Special Tax

Commencing in Fiscal Year 2002-03, the Board shall levy the Annual Maximum Special Tax - Developed Property on each Assessor's Parcel which is classified as Developed Property. If additional monies are needed to satisfy the Special Tax Requirement, after taking into account monies to be levied on Developed Property pursuant to the preceding sentence, the Board shall then levy such difference proportionately on each Assessor's Parcel which is classified as Undeveloped Property up to 100% of the Annual Maximum Special Tax – Undeveloped Property for such Undeveloped Property.

Section 6. Partial Prepayment of the Annual Maximum Special Tax - Developed Property

A property owner may make a one-time election to prepay a portion of the Annual Maximum Special Tax - Developed Property on an Assessor Parcel for which a Building Permit is requested by notifying the School District in writing of such intention no less than seven (7) business days prior to such Assessor Parcel obtaining a Certificate of Compliance. The written notification shall include such owner's intent to partially prepay the Annual Maximum Special Tax - Developed Property, the date the Assessor Parcel is expected to request a Certificate of Compliance, a copy of the final map, the acres of each lot, the lot number(s) and Assessor Parcel Number(s) for which partial prepay is requested, the Building Square Footage of the Dwelling Unit(s) and the percentage by which the Annual Maximum Special Tax - Developed Property shall be prepaid. If partial prepayment is requested on a limited number of Assessor Parcels of a group which will be requesting Certificates of Compliance, the above required information must be supplied on all Assessor Parcels which will be requesting Certificates of Compliance. The partial prepayment formula per dwelling unit is defined as follows:

Partial Prepayment Formula per Dwelling Unit: $PP = (PVT \times PCT) + F + RP$

The variables can be described as: PP, meaning the partial prepayment amount per Dwelling Unit. PVT, meaning the present value of the current Annual Maximum Special Tax – Developed Property using a 6.50% interest rate, prior to the issuance of Bonds, and a term of 35 years. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.5% or the Weighted Average Interest Rate on the Bonds. PCT, meaning the partial prepayment percent. F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds, if applicable.

The partial prepayment percent shall be indicated in the notification described above. The meaning of the remainder of the terms are as defined in Section 7.

The District administrator shall provide the owner with a statement of the amount required per Dwelling Unit for the partial prepayment of the Annual Maximum Special Tax - Developed Property within ten (10) business days of the request and may charge a reasonable fee for providing this service. The payment of the partial prepayment of the Annual Maximum Special Tax - Developed Property is due prior to the issuance of the Certificate of Compliance for the Assessor Parcel.

Notwithstanding the foregoing, no partial prepayment shall be allowed in the month of June or at all unless the amount of the Annual Maximum Special Tax - Developed Property that may be levied on all Taxable Property within the CFD both prior to and after the proposed partial prepayment is at least 1.1 times the annual debt service on the then-outstanding Bonds.

Section 7. Prepayment of the Annual Maximum Special Tax - Developed Property

An Assessor Parcel classified as Developed Property which is subject to the Annual Maximum Special Tax - Developed Property may prepay the *entire outstanding* Special Tax obligation at any time. The prepayment formula per Dwelling Unit is defined as follows:

Prepayment Formula: P = PVT + F + RP

The variables are described as: P, meaning the prepayment amount, PVT, meaning the present value of taxes, F, meaning all prepayment fees, and RP, meaning redemption premium on the Bonds if applicable. The PVT or present value of taxes means the present value of the Annual Maximum Special Tax - Developed Property applicable to the Assessor Parcel in each remaining Fiscal Year that such Special Taxes may be levied subsequent to the Fiscal Year in which the calculation is made. The present value of the Annual Maximum Special Tax - Developed Property is calculated by using an interest rate of 6.5% prior to the issuance of Bonds. After the issuance of Bonds the interest rate used to calculate the present value will be based on the lesser of 6.5% or the Weighted Average Interest Rate on the Bonds. The remaining Fiscal Years, or the term for the present value calculation, is calculated by subtracting the number of years, including the present Fiscal Year, the Assessor Parcel has been subject to the Annual Maximum Special Tax - Developed Property from thirty-five (35). The current year's Special Taxes must be paid directly to the County and will not be accepted by the School District with the prepayment.

Prepayment fees or F means the fees of the School District, the fiscal agent and any consultants retained by the School District in connection with the prepayment calculations and redemption of the Bonds.

Redemption premium on the Bonds or RP means a prepayment premium as set forth in the Bond issuance documents for a mandatory redemption of the Bonds as of the prepayment date.

Bonds shall be redeemed in a manner such that the yield on the Bonds outstanding after the completion of the prepayment is as close as possible to the original yield on all of the Bonds.

Prepayments must be received prior to June 1 to be effective in the following Fiscal Year. In addition, any property owner prepaying his or her Annual Maximum Special Tax - Developed Property must also pay the present Fiscal Year levy and all delinquent special taxes, interest and penalties owing on the Assessor Parcel to the County of Riverside on which prepayment is being made, if any.

Section 8. Limitations

The CFD shall not levy any Special Taxes on properties conveyed or irrevocably dedicated to a public agency, land which is in the public right-of-way, unmanned utility easements which make utilization for other than the purpose set forth in the easement impractical, common areas, homeowners association property, private streets, school, parks, and open space lots provided that such properties within the Improvement Area classified as Exempt Property do not exceed 109.19 Acres. Except as set forth above, the Board shall not levy any Special Taxes on properties which are owned by the State of California, Federal or other local governments, except as otherwise provided in Sections 53317.3 and 53317.5 of the Act. Nonresidential Property shall not be subject to the levy of Special Taxes but are subject to applicable statutory fees.

Section 9. Manner of Collection

The Annual Maximum Special Taxes will be collected in the same manner and at the same time as ordinary ad valorem real property taxes. The Annual Maximum Special Taxes shall be subject to the same penalties, procedures, sale and lien priority in any case of delinquency as provided for with ad valorem taxes. The collection of the Annual Maximum Special Taxes shall otherwise be subject to the provisions of the Act. The Board reserves the power to provide for alternative means of collection of Special Taxes as permitted by the Act.

Section 10. Term of the Special Taxes

The Annual Maximum Special Tax – Developed Property shall be levied for a period not to exceed either (i) thirty-five (35) years for each Dwelling Unit classified as Developed Property or (ii) until all Bonds have been retired and all School Facility requirements met as determined by the Board in its sole discretion, whichever is earlier.

Section 11. Review/Appeals Panel

The Board shall establish, as part of the proceedings and administration of CFD No. 2002-1, a Review/Appeals Panel. Any landowner who feels that the amount of the Special Tax, as to their Assessor's Parcel, is in error may file a notice with the Review/Appeals Panel appealing the amount of the levy. The Review/Appeals Panel shall interpret this Rate and Method of Apportionment of the Special Taxes and make determinations relative to the annual administration of the Special Taxes and any landowner appeals, as herein specified. The time period used for calculating any refund shall be limited to the three (3) years proceeding the appeal.