

RESOLUTION NO. TPFA 2024-

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DECLARING ITS INTENTION TO ESTABLISH A COMMUNITY FACILITIES DISTRICT AND TO AUTHORIZE THE LEVY OF SPECIAL TAXES THEREIN – PRADO

THE BOARD OF DIRECTORS OF THE TEMECULA PUBLIC FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Under the Mello-Roos Community Facilities Act of 1982, constituting Section 53311 et seq. of the California Government Code (the “Law”), this Board of Directors may commence proceedings for the establishment of a community facilities district.

Section 2. There have been submitted to this Board of Directors a Petition (Including Waivers) of Meritage Homes of California, Inc. (the “Petition”), requesting the formation by this Board of Directors of a community facilities district under the Law to be known as the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) (the “District”).

Section 3. Under the Law, this Board of Directors is the legislative body for the proposed District and is empowered with the authority to establish the District and levy special taxes within the District.

Section 4. This Board of Directors proposes to begin the proceedings necessary to establish the District pursuant to the Law. Receipt of the Petition to form the District is hereby acknowledged. In furtherance of the formation of the District, it is also acknowledged that the Authority, the City of Temecula (the “City”) and Meritage Homes of California, Inc. (“Meritage”), are parties to a Deposit/Reimbursement Agreement pursuant to which Meritage has agreed to deposit funds with City to pay the costs of conducting the proceedings to establish the District and the possible issuance by the Authority of bonds for the District, subject to reimbursement from the proceeds of bonds issued for the District, all as more specifically provided in the Deposit/Reimbursement Agreement.

Section 5. The name proposed for the District is Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado).

Section 6. The proposed boundaries of the District are as shown on the map of the District on file with the Secretary, which boundaries are hereby preliminarily approved. The Secretary is hereby directed to record, or cause to be recorded, the map of the boundaries of the District in the office of the Riverside County Recorder as soon as practicable after the adoption of this Resolution.

Section 7. The types of public facilities (the “Facilities”) and municipal services (the “Services”) proposed to be eligible for funding by the District, in each case pursuant to the Law,

shall consist of those items listed on Exhibit A hereto under the headings “Facilities” and “Municipal Services,” respectively, which Exhibit is by this reference incorporated herein.

This Board of Directors hereby determines that the Facilities and the Services to be financed by the District are necessary to meet increased demands placed upon local agencies as a result of development occurring and expected to occur in the territory included in the District.

This Board of Directors hereby expresses its opinion that the public interest will not be served by allowing property owners to enter into contracts as contemplated by Section 53329.5(a) of the Law, and does not intend to let property owners avail themselves of the actions otherwise permitted by said Section 53329.5(a).

The Executive Director is hereby authorized and directed to enter into joint community facilities agreements with the City of Temecula, the Temecula Valley Unified School District, the Eastern Municipal Water District and any other public entity that will own and/or operate any of the Facilities, or that will provide any of the Services, with any such agreements to be in a form provided by Bond Counsel.

Section 8. Except to the extent that funds are otherwise available to the District to pay for the Facilities and the Services, and/or pay the principal and interest as it becomes due on bonds of the District issued to finance the Facilities, a special tax sufficient to pay the costs thereof, secured by recordation of a continuing lien against all non-exempt real property in the District, will be levied within the District and collected in the same manner as ordinary ad valorem property taxes or in such other manner as this Board of Directors or its designee shall determine, including direct billing of the affected property owners. The proposed rate and method of apportionment of the special tax among the parcels of real property within the District, in sufficient detail to allow each landowner within the proposed District to estimate the maximum amount such owner will have to pay, and which specifies the tax year after which no further special tax will be levied on land used for private residential purposes and which otherwise complies with applicable provisions of the Act is described in Exhibit B attached hereto which Exhibit is by this reference incorporated herein.

This Board of Directors finds that the provisions of Section 53313.6, 53313.7 and 53313.9 of the Law (relating to adjustments to ad valorem property taxes and schools financed by a community facilities district) are inapplicable to the District.

Section 9. It is the intention of this Board of Directors, acting as the legislative body for the District, to cause bonds of the Authority to be issued for the District pursuant to the Law to finance the costs of the Facilities. If so issued, the bonds shall be in the aggregate principal amount of not to exceed \$20,000,000, shall bear interest payable semi-annually or in such other manner as this Board of Directors shall determine, at a rate not to exceed the maximum rate of interest as may be authorized by applicable law at the time of sale of such bonds, and shall mature not to exceed 40 years from the date of the issuance thereof.

Section 10. This Board of Directors reserves to itself the right and authority to allow any interested owner of property in the District, subject to the provisions of Section 53344.1 of the Law and such requirements as it may otherwise impose, and any applicable prepayment penalties

as prescribed in the indenture or fiscal agent agreement for any bonds of the Authority for the District, to tender to the Treasurer of the Authority in full payment or part payment of any installment of special taxes or the interest or penalties thereon which may be due or delinquent, but for which a bill has been received, any bond or other obligation secured thereby, in the manner described in Section 53344.1 of the Law.

Section 11. The levy of said proposed special tax shall be subject to the approval of the qualified electors of the District at a special election. The proposed voting procedure shall be by mailed or hand-delivered ballot among the landowners in the proposed District, with each owner having one vote for each acre or portion of an acre of land such owner owns in the District.

Section 12. Except as may otherwise be provided by the Law or the rate and method of apportionment of the special tax for the District, all lands owned by any public entity, including the United States, the State of California and/or the City of Temecula, or any departments or political subdivisions of any thereof, shall be omitted from the levy of the special tax to be made to cover the costs and expenses of the Facilities, the issuance of bonds by the Authority for the District and any expenses of the District.

Section 13. The Director of Public Works of the City of Temecula is hereby directed to study the Facilities and the Services and to make, or cause to be made, and file with the Secretary a report in writing, presenting the following:

(a) A brief description of the special taxes to be prepaid and of the Facilities and the Services.

(b) An estimate of the fair and reasonable cost of providing for the Facilities and the Services, including the incidental expenses in connection therewith, including the costs of the proposed bond financing, any Authority or City of Temecula administrative costs and all other related costs.

Said report shall be made a part of the record of the public hearing provided for below.

Section 14. Tuesday, February 27, 2024, at 6:00 p.m. or as soon thereafter as the matter may be heard, in the regular meeting place of this Board of Directors, City Council Chambers, Temecula City Hall, 41000 Main Street, Temecula, California, be, and the same are hereby appointed and fixed as the time and place when and where this Board of Directors, as legislative body for the District, will conduct a public hearing on the establishment of the District and consider and finally determine whether the public interest, convenience and necessity require the formation of the District and the levy of said special tax.

Section 15. The Secretary is hereby directed to cause notice of said public hearing to be given by publication one time in a newspaper published in the area of the District. The publication of said notice shall be completed at least seven days before the date herein set for said hearing. Said notice shall be substantially in the form of Exhibit C hereto.

Section 16. The Board of Directors may in the future, by resolution, approve an agreement pursuant to Section 53314.9 of the Law, to accept an advance or advances of funds or work-in-kind from one or more landowners in the District or related entities, which advances may be repaid and work-in-kind may be reimbursed to the person or entity which advanced the funds or work-in-kind subject to compliance with the applicable provisions of Section 53314.9 of the Law.

Section 17. The Board of Directors hereby finds and determines that no further environmental review is required for the funding of the Facilities and Services.

(a) On June 16, 2021, AHV Communities filed two Planning Applications: No. PA21-0838, a Development Plan and No. PA21-0839, a Tentative Tract Map (TTM 38121) (collectively “Prado Project”). On April 20, 2022, the Planning Commission adopted Resolution Nos. 2022-08 and 2022-09 approving the Prado Project. No appeal was taken from the adoption of these Resolutions.

(b) In adopting Planning Commission Resolution Nos. 2022-08 and 2022-09, the Planning Commission determined that in accordance with the California Environmental Quality Act, no further environmental review of the proposed Prado Project was required (Section 15182, Projects Pursuant to a Specific Plan and Section 15162, Subsequent EIRs and Negative Declarations) finding that:

1. On August 14, 2001, the City Council adopted Resolution No. 01-70 certifying the Program Environmental Impact Report for the Harveston Specific Plan (SCH #99041033). On August 26, 2003, the City Council adopted Resolution No. 03-110 approving Amendment No. 1 to the Harveston Specific Plan (SP 13). On December 1, 2020, the City Council adopted Resolution No. 2020-78 certifying a Subsequent Environmental Impact Report (SEIR) in connection with the Second Amendment to the Harveston Specific Plan that allowed for the creation of the residential overlay zone.

2. As provided in Planning Commission Resolution Nos. 2022-08 and 2022-09, the Planning Commission determined that the Prado Project was consistent with the previously adopted Harveston SEIR and no further environmental review was required. The Prado Project was exempt from CEQA pursuant to CEQA Guidelines Section 15182 as the proposed residential development is in conformity with the Harveston Specific Plan, as amended. (Section 15162, Subsequent EIRs and Negative Declarations).

(c) All of the Facilities and Services that are proposed to be funded by the proposed District were included as conditions of approval for the Prado Project and were considered and approved as in accordance with the California Environmental Quality Act (“CEQA”) as part of the approval of the Prado Project. The Board of Directors, therefore, hereby finds and determines that the Facilities and Services are exempt from CEQA pursuant to CEQA Guidelines Section 15182 as the Facilities and Services are in conformity with the Prado Project. The Board of Directors further finds and determines that the funding of the Facilities and Services does not require the preparation of a subsequent Environmental Impact Report as none of the conditions described in Section 15162 of the CEQA Guidelines (14 Cal. Code Regs. 15162) exist. Specifically, there are no substantial changes proposed by the funding of the Facilities and Services that will require

major revisions of the previous SEIR approved by City Council due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects and no substantial changes have occurred with respect to the circumstances under which the proposed project are undertaken that will require major revisions of the previous SEIR due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and there is no new information of substantial importance, which was not known and could not have been known with the exercise of reasonable diligence at the time the previous SEIR was adopted, showing that: (a) the proposed project will have one or more significant effects not discussed in the SEIR; (b) there are significant effects previously examined that will be substantially more severe than shown in the SEIR; (c) there are mitigation measures or alternatives previously found not to be feasible would in fact be feasible and would substantially reduce one or more significant effects of the proposed project, but the City declines to adopt the mitigation measure or alternative; or (d) mitigation measures or alternatives which are considerably different from those analyzed in the SEIR would substantially reduce one or more significant effects on the environment, but the City declines to adopt the mitigation measure or alternative. The Facilities and Services for the Prado Project are consistent with the project that was analyzed by the SEIR. The Facilities and Services are required to meet all requirements and mitigation contained in SEIR.

Section 18. The Acquisition Agreement to be entered into by Authority, for and on behalf of the District, and Meritage Homes of California, Inc., in the form on file with the Secretary, is hereby approved. The Executive Director is hereby authorized to execute and deliver the Acquisition Agreement in said form, with such additions thereto or changes therein as are deemed necessary, desirable or appropriate by the Executive Director upon consultation with the Authority's General Counsel and Bond Counsel, the approval of such changes to be conclusively evidenced by the execution and delivery by the Executive Director of the Acquisition Agreement.

Section 19. This Resolution shall take effect upon its adoption.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Temecula Public Financing Authority this 23rd day of January, 2024.

James Stewart, Chair

ATTEST:

Randi Johl, Secretary

[SEAL]

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss
CITY OF TEMECULA)

I, Randi Johl, Secretary of the Temecula Public Financing Authority, do hereby certify that the foregoing Resolution No. TPFA 2024- was duly and regularly adopted by the Board of Directors of the Temecula Public Financing Authority at a meeting thereof held on the 23rd day of January, 2024, by the following vote:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSTAIN: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

Randi Johl, Secretary

EXHIBIT A

TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

DESCRIPTION OF FACILITIES AND SERVICES TO BE FUNDED BY THE DISTRICT

FACILITIES

It is proposed that the District be eligible to finance all or a portion of the costs of the following facilities:

- The acquisition and construction of: streets (including paving, aggregate base, striping and traffic marking, sidewalks, curbs, gutters and driveways), including Temecula Center Drive and Ynez Road within and in the vicinity of the District; stormwater drainage systems (including storm drain lines, inlets, outlets, channels, structures, junctions, manholes, catch basins and related dewatering); street light improvements (including light fixtures, substructures, conduits and service points of connection); and street signage (including traffic, stop and street name signs).

The foregoing are to include the acquisition of any related right-of-way and other land needed for the installation of any such improvements, demolition of existing structures and site leveling needed for the installation of any such improvements, erosion control, and other appurtenances.

- The acquisition and installation of traffic signal improvements, including traffic signal interconnection and video surveillance systems, at the intersection of Ynez Road and Temecula Center Drive.
- Landscaping improvements in the public right of way along or in the vicinity of Temecula Center Drive, Date Street and Ynez Road, including related appurtenances.
- Capital improvements included in the City of Temecula's adopted Capital Improvement Program for Fiscal Years 2024-2028.
- School improvements to be designated by the Temecula Valley Unified School District, which may include construction of buildings, equipping of school facilities, and acquisition of support and other appurtenances with a useful life of five years or more.
- Sewer system improvements to be designated by the Eastern Municipal Water District.
- Water facilities to be designated by the Rancho California Water District.
- All or a portion of any amount necessary to eliminate any fixed special assessment liens, or to pay, repay, or defease any obligation to pay or any indebtedness secured by any tax, fee, charge, or assessment levied within the area of the CFD (including, but not limited to the lien of special taxes by the Temecula Public Financing Authority Community Facilities District No. 01-2 (Harveston)), or to pay debt service on any such indebtedness.

The Facilities include the acquisition of right-of-way, the costs of design, engineering and planning, the costs of any environmental or traffic studies, surveys or other reports, the cost of any required environmental mitigation and any required noise mitigation measures, landscaping and irrigation, soils testing, permits, plan check and inspection fees, insurance, legal and related overhead costs, coordination and supervision and any other costs or appurtenances related to any of the foregoing.

MUNICIPAL SERVICES

It is proposed that the District be eligible to fund all or a portion of the costs of the following municipal services:

- Public safety services, including police and fire protection.
- Maintenance of parks, and landscaping in public areas, public easements and public right of way in or near the area of the District, such maintenance to include but not be limited to maintenance of planting areas, trees, bioretention filters, multipurpose trails, and the furnishing of water for irrigation.
- Maintenance of public signage in or near the District.
- Maintenance of storm drainage systems within or serving the area of the District, and including storm drain pipes, culverts, detention/desilting basins, manholes, catch basins and drop inlets, cleanout of storm drains and catch basin cleaning and inspection.
- Maintenance of sidewalks, streets and roadways within or in the vicinity of the area of the District, and including slurry, overlay, curbs and gutters, curb ramps, striping and street sweeping.
- Maintenance of street lighting located within or in the vicinity of the District, and including decorative lighting and pull box assemblies.
- Maintenance of traffic signals, and traffic interconnection and video surveillance systems, within and in the vicinity of the District, and including electrical, LED replacement, maintenance and replacement.
- Graffiti removal from public improvements within and in the area of the District.

The District may fund any of the following related to the services described above: the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of the improvements, including repair, removal or replacement of all or part of any of the improvements, the furnishing of water for the irrigation and the furnishing of electric current or energy, for any lights or irrigation facilities, obtaining, constructing, furnishing, operating and maintaining equipment, apparatus or facilities related to providing the services and/or equipment, apparatus, facilities or fixtures in areas to be maintained, obtaining supplies or appurtenant facilities necessary for such maintenance, paying the salaries and benefits of personnel necessary or convenient to provide the services, payment of insurance costs and other related expenses. The District may also provide for the reimbursement to the City of Temecula to the extent that the City of Temecula advances funds to pay for any of the foregoing services, and may fund reserves for repairs and replacements and for future expected costs of services. It is expected that the services will be provided by the City of Temecula, either with its own employees or by contract with third parties, or any combination thereof.

The services to be financed by the District shall be in addition to those provided in the territory of the District before the date of creation of the District, and will not supplant services already available within that territory when the District is created.

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 23-02 (PRADO)

The following sets forth the Rate and Method of Apportionment of Special Tax for the levy and collection of an Annual Special Tax A, an Annual Special Tax B, and an Annual Special Tax C in the Temecula Public Financing Authority ("Authority") Community Facilities District No. 23-02 (Prado) ("CFD No. 23-02"). An Annual Special Tax A, an Annual Special Tax B, and an Annual Special Tax C shall be levied on property in CFD No. 23-02 and collected in CFD No. 23-02 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment of Special Tax described below. All of the real property within CFD No. 23-02, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent, and in the manner herein provided.

SECTION A DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the land area of an Assessor's Parcel as shown on an Assessor's Parcel Map, or if the land area is not shown on the Assessor's Parcel Map, the land area as shown on the applicable Final Map, or if the land area is not shown on the applicable Final Map, the land area as calculated by or on behalf of the CFD Administrator.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, 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. 23-02, including but not limited to the following: (i) the costs of computing Special Tax A, Special Tax B, and/or Special Tax C (collectively, the "Special Taxes") and of preparing the annual Special Tax A, Special Tax B, and Special Tax C collection schedules (whether by the CFD Administrator or designee thereof, or both); (ii) the costs of collecting the Special Taxes (whether by the Authority, County, City, or otherwise); (iii) the costs of remitting the Special Taxes to the fiscal agent or trustee for any Bonds; (iv) the costs of commencing and pursuing to completion any foreclosure action arising from delinquent Special Taxes; (v) the costs of the fiscal agent or trustee (including its legal counsel) in the discharge of the duties required of it under any Indenture; (vi) the costs of the Authority, City, or designee of either in complying with arbitrage rebate, mandated reporting and disclosure requirements of applicable federal and State of California laws, and responding to property owner or Bond owner inquiries regarding the Special Taxes or Bonds; (vii) the costs associated with the release of funds from any escrow account established under an Indenture; (viii) the costs of the Authority, City, or designee of either related to any appeal of a Special Tax; (ix) an allocable share of the salaries of the City staff and City overhead expense directly relating to the foregoing and (x) any other expense eligible under the Act to be charged for the administration of CFD 23-02 or any Bonds. Administrative Expenses shall also include amounts advanced by the City or the Authority for any administrative purposes of CFD No. 23-02.

"Annual Special Tax A" means for each Assessor's Parcel, the Special Tax A actually levied in a given Fiscal Year on such Assessor's Parcel.

"Annual Special Tax B" means for each Assessor's Parcel, the Special Tax B actually levied in a given Fiscal Year on such Assessor's Parcel.

“Annual Special Tax C” means for each Assessor’s Parcel, the Special Tax C actually levied in a given Fiscal Year on such Assessor’s Parcel.

“Approved Property” means all Assessor’s Parcels of Taxable Property other than Provisional Exempt Property: (i) that are included in a Final Map that was recorded prior to the January 1st immediately preceding the Fiscal Year in which the Special Tax A is being levied, and (ii) that have not been issued a Building Permit on or before the April 1st immediately preceding the Fiscal Year in which the Special Tax A is being levied.

"Assessor" means the Assessor of the County.

“Assessor’s Parcel” or “Parcel” means a lot or parcel of land designated on an Assessor’s Parcel Map with an assigned Assessor’s Parcel Number within the boundaries of CFD No. 23-02.

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

“Assessor’s Parcel Number” means that number assigned to a lot or parcel of land by the Assessor for purposes of identification.

“Assigned Annual Special Tax A” means the Special Tax A as described in Section D below.

"Authority" means the Temecula Public Financing Authority.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by CFD No. 23-02, as identified in the list of authorized facilities approved by the Resolution of Formation of the CFD adopted by the Board of Directors when the CFD No. 23-02 was formed or as it may be modified by proceedings under the Act.

“Authorized Services” means the services authorized to be funded, in whole or in part, by the CFD No. 23-02, as identified in the list of authorized services approved by the Resolution of Formation of the CFD adopted by the Board of Directors when the CFD No. 23-02 was formed or as it may be modified by proceedings under the Act.

“Backup Annual Special Tax A” means the Special Tax A as described in Section E below.

“Board of Directors” means the Board of Directors of the Authority, acting as the legislative body of CFD No. 23-02, or its designee.

“Bonds” means any bonds or other indebtedness (as defined in the Act), whether in one or more series, the repayment of which is secured by a pledge of the proceeds of the levy of Special Tax A on Assessor’s Parcels within CFD No. 23-02.

“Boundary Map” means a recorded map which indicates the boundaries of CFD No. 23-02.

“Building Permit” means the first legal document issued by the City giving official permission for new construction of improvements on an Assessor’s Parcel in CFD No. 23-02. For purposes of this definition, “Building Permit” may or may not include any subsequent building permits issued or changed after the first issuance, as determined by the CFD Administrator.

“Building Square Footage” or “BSF” means the square footage of assessable internal living space, exclusive of garages or other structures not used as living space, as determined by the CFD Administrator by reference to the building permit application for such Assessor’s Parcel.

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

“CFD No. 23-02” or “CFD” means the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) formed by the Authority under the Act.

“CFD Administrator” or “Administrator” means the Finance Director of the City, or designee thereof, responsible for, among other things, determining the Special Tax A Requirement, the Special Tax B Requirement, and the Special Tax C Requirement and providing for the levy and collection of said Special Tax A, Special Tax B, and Special Tax C.

“City” means the City of Temecula, California.

“County” means the County of Riverside, California.

“Developed Property” means all Assessor’s Parcels of Taxable Property: (i) that are included in a Final Map that was recorded prior to January 1st preceding the Fiscal Year in which Special Tax A, Special Tax B or Special Tax C are being levied, and (ii) for which a building permit was issued on or before April 1st preceding the Fiscal Year in which any or all of the Special Taxes are being levied.

“Exempt Property” means all Assessor’s Parcels designated as being exempt from the Special Taxes as provided for in Section P.

“Exempt Welfare Exemption Property” means, for each Fiscal Year, an Assessor’s Parcel that is (a) receiving a welfare exemption under subdivision (g) of Section 214 of the California Revenue and Taxation Code (or any successor statute), as indicated in the County’s Assessor’s roll finalized as of January 1 of the previous Fiscal Year, and (b) exempt from the Special Tax pursuant to Section 53340(c) of the Act. Pursuant to Section 53340(c) of the Act, after the issuance of the first series of Bonds, any Assessor’s Parcels that receive welfare exemption under subdivision (g) of Section 214 of the California Revenue and Taxation Code (or any successor statute) shall not be classified as Exempt Welfare Exemption Property and will be subject to the Special Tax.

“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.) or recordation of a condominium plan pursuant to California Civil Code 4285 that creates individual lots that do not need, and are not expected, to be further subdivided prior to the issuance of a Building Permit.

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

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

“Land Use Type” means Residential Property, Multifamily Residential Property, or Non-Residential Property.

“Maximum Special Tax A” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax A, determined in accordance with Section C that can be levied on each such Assessor’s Parcel.

“Maximum Special Tax B” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax B, determined in accordance with Section I that can be levied on each such Assessor’s Parcel.

“Maximum Special Tax C” means for each Assessor’s Parcel of Taxable Property, the maximum Special Tax C, determined in accordance with Section L that can be levied on each such Assessor’s Parcel.

“Multifamily Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit has been issued for the purpose of constructing a building or buildings comprised of attached Units available for rental by the general public, not for sale to an end user, and which attached units are under common ownership, as determined by the CFD Administrator.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit was issued for any type of use other than Residential Property and or Multifamily Residential Property.

“Partial Prepayment Amount” means the amount required to prepay a portion of the Special Tax A obligation for an Assessor’s Parcel, as described in Section H.

“Prepayment Amount” means the amount required to prepay the Special Tax A obligation in full for an Assessor’s Parcel, as described in Section G.

“Proportionately” means for Special Tax A that the ratio of the Annual Special Tax A to the applicable Assigned Annual Special Tax A is equal for all applicable Assessor’s Parcels. In the case of Special Tax B and Special Tax C, “Proportionately” means that the ratio of the Annual Special Tax B to the applicable Maximum Special Tax B and the Annual Special Tax C to the applicable Maximum Special Tax C, respectively, is equal for all applicable Assessor’s Parcels. In the case of Developed Property subject to the apportionment of the Annual Special Tax A under Step Four of Section F, “Proportionately” means that the quotient of (a) Annual Special Tax A less the Assigned Annual Special Tax A divided by (b) the Backup Annual Special Tax A less the Assigned Annual Special Tax A, is equal for all applicable Assessor’s Parcels.

“Provisional Exempt Property” means all Assessor’s Parcels of Taxable Property subject to Special Tax A that would otherwise be classified as Exempt Property pursuant to the provisions of Section P, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage set forth in Section P.

“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, and which are not Multifamily Residential Property.

“RMA” means this Rate and Method of Apportionment of Special Tax.

“Special Tax(es)” means any of the special taxes authorized to be levied on Taxable Property within and for CFD No. 23-02 pursuant to the Act to fund the Special Tax A Requirement, Special Tax B Requirement, and/or the Special Tax C Requirement.

“Special Tax A” means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 23-02 pursuant to the Act to fund the Special Tax A Requirement.

“Special Tax B” means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 23-02 pursuant to the Act to fund the Special Tax B Requirement.

“Special Tax C” means any of the Special Taxes authorized to be levied on Taxable Property within and by CFD No. 23-02 pursuant to the Act to fund the Special Tax C Requirement.

“Special Tax A Requirement” means, subject to the Maximum Special Tax A, the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds due in the Calendar Year that commences in such Fiscal Year, (ii) Administrative Expenses for such Fiscal Year (apportioned between Special Tax A and Special Tax B), (iii) any amount required to establish or replenish any reserve funds established in association with the Bonds, and (iv) the collection or accumulation of funds for the acquisition or construction of Authorized Facilities, provided that the inclusion of such amount does not cause an increase in the levy of Special Tax A on Approved Property or Undeveloped Property as set forth in Step Two and Three of Section F, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable Indenture.

“Special Tax B Requirement” means, subject to the Maximum Special Tax B, that amount to be collected in any Fiscal Year to pay for Authorized Services as required to meet the needs of CFD No. 23-02. The costs of services to be covered shall be the direct costs for (i) Authorized Services, and (ii) Administrative Expenses (apportioned between Special tax A and Special Tax B); less (iii) a credit for funds available to reduce the Annual Special Tax B levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax B Requirement include amounts needed to repay Bonds.

“Special Tax C Requirement” means, subject to the Maximum Special Tax C, that amount to be collected in any Fiscal Year to pay for Authorized Services as required to meet the needs of CFD No. 23-02. The costs of services to be covered shall be the direct costs for (i) Authorized Services, and (ii) Administrative Expenses; less (iii) a credit for funds available to reduce the Annual Special Tax C levy, if any, as determined by the CFD Administrator. Under no circumstances shall the Special Tax C Requirement include amounts needed to repay Bonds.

“Special Tax Category” means any of the individual categories of BSF set forth in Table 1 in Section D below.

“Taxable Property” means (i) with respect to Special Tax A, all Assessor’s Parcels within CFD No. 23-02, which are not Exempt Property or for which the Special Tax A obligation has not been prepaid in full, and (ii) with respect to Special Tax B and Special Tax C, all Assessor’s Parcels within CFD No. 23-02, which are not Exempt Property.

“Temecula Public Financing Authority” or “PFA” or “Authority” means the Temecula Public Financing Authority, or its designee.

“Transition Event” shall be deemed to have occurred when the CFD Administrator determines that the following events have occurred: (i) all Bonds secured by the levy and collection of Special Tax A in the CFD have been fully repaid, or legally defeased, pursuant to the Indenture; (ii) all Administrative Expenses from prior Fiscal Years have been paid or reimbursed; and (iii) there are no other Authorized Facilities that the Authority or the CFD intends to fund with proceeds of Bonds or of Special Tax A as confirmed in writing by the CFD Administrator.

“Transition Year” means the earlier of: (i) the first Fiscal Year in which the Administrator determines that the Transition Event occurred in the prior Fiscal Year, or (ii) Fiscal Year 2065-66.

“Undeveloped Property” means all Assessor’s Parcels of Taxable Property which are not Developed Property, Approved Property, or Provisional Exempt Property.

“Unit” means any residential dwelling unit excluding dwelling units within Multifamily Residential Property.

SECTION B CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2024-25, each Assessor’s Parcel within CFD No. 23-02 shall be classified as Taxable Property or Exempt Property. In addition, each Assessor’s Parcel of Taxable Property shall be further classified as Developed Property, Approved Property, Undeveloped Property, or Provisional Exempt Property. In addition, each Assessor’s Parcel of Developed Property shall further be classified as Residential Property, Multifamily Residential Property or Non-Residential Property. Assessor’s Parcels of Residential Property shall be further categorized based on the Building Square Footage of each such Assessor’s Parcel.

SECTION C MAXIMUM SPECIAL TAX A

1. Developed Property

For each Fiscal year, the Maximum Special Tax A for each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be the greater of (i) the Assigned Annual Special Tax A or (ii) the Backup Annual Special Tax A.

2. Approved Property, Undeveloped Property, and Provisional Exempt Property

For each Fiscal year, the Maximum Special Tax A for each Assessor’s Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property shall be the Assigned Annual Special Tax A.

3. Increase in the Maximum Special Tax A

On each July 1, commencing July 1, 2025, the Maximum Special Tax A shall be increased by an amount equal to two percent (2.0%) of the amount in effect for the previous Fiscal Year.

4. Maximum Special Tax A at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Maximum Special Tax A for any Assessor’s Parcel of Taxable Property shall be \$0.00. Notwithstanding the forgoing, if there are delinquent Special Tax A taxes on a Parcel, such delinquent Special Tax A taxes will continue to constitute a lien against the Parcel until they are collected.

SECTION D ASSIGNED ANNUAL SPECIAL TAX A

1. Developed Property

Each Fiscal Year prior to the Transition Year, each Assessor’s Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property shall be subject to an Assigned Annual Special Tax A.

The Assigned Annual Special Tax A applicable to an Assessor's Parcel of Developed Property shall be determined using the table below.

**TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2024-25**

Land Use Type	Building Square Footage	Assigned Special Tax A
Residential Property	Less than 1,500	\$3,740 per Unit
Residential Property	1,500 – 1,599	\$3,860 per Unit
Residential Property	1,600 – 1,699	\$3,980 per Unit
Residential Property	1,700 – 1,799	\$4,100 per Unit
Residential Property	Greater than 1,799	\$4,220 per Unit
Multifamily Residential Property	N/A	\$83,890 per Acre
Non-Residential Property	N/A	\$83,890 per Acre

2. Approved Property, Undeveloped Property and Provisional Exempt Property

Each Fiscal Year, prior to the Transition Year, each Assessor's Parcel of Approved Property, Undeveloped Property, and Provisional Exempt Property shall be subject to an Assigned Annual Special Tax A. The Assigned Annual Special Tax A rate for an Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property shall be determined pursuant to Table 2 below.

**TABLE 2
ASSIGNED ANNUAL SPECIAL TAX RATES
FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
AND PROVISIONAL EXEMPT PROPERTY
FISCAL YEAR 2024-25**

Assigned Special Tax A
\$83,890 per Acre

3. Increase in the Assigned Annual Special Tax A

On each July 1, commencing July 1, 2025, the Assigned Annual Special Tax A for any Assessor's Parcel of Taxable Property shall be increased by an amount equal to two percent (2.0%) of the amount in effect for the previous Fiscal Year.

4. Assigned Annual Special Tax A at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Assigned Annual Special Tax A for all Taxable Property shall be \$0.00. Notwithstanding the forgoing, if there are delinquent Special Tax A taxes on a Parcel, such delinquent Special Tax A taxes will continue to constitute a lien against the Parcel until they are collected.

**SECTION E
BACKUP ANNUAL SPECIAL TAX A**

At the time a Final Map is recorded, the CFD Administrator shall determine the Backup Annual Special Tax A for all Assessor's Parcels classified or reasonably expected to be classified as Residential

Property within such Final Map by multiplying the Maximum Special Tax A rate for Undeveloped Property by the total Acreage of Taxable Property, excluding the Provisional Exempt Property Acreage, Non-Residential Property Acreage, Multifamily Residential Property Acreage and any Acreage reasonably expected to be classified as Exempt Property, and dividing such amount by the total number of such Assessor's Parcels which are classified or reasonably expected to be classified as Residential Property.

The Backup Annual Special Tax A rate for Multifamily Residential Property or Non-Residential Property shall be its Assigned Annual Special Tax A rate.

On each July 1, commencing July 1, 2024, the Backup Annual Special Tax A shall be increased by an amount equal to two percent (2.0%) of the amount in effect for the previous Fiscal Year.

Notwithstanding the foregoing, if Assessor's Parcels which are classified or to be classified as Residential Property, Non-Residential Property or Multifamily Property are subsequently changed by recordation of a lot line adjustment, Final Map amendment, new Final Map or similar instrument, then the Backup Annual Special Tax A shall be recalculated within the area that has been changed to equal the amount of Backup Annual Special Tax A that would have been generated if such change did not take place.

SECTION F METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX A

Commencing Fiscal Year 2024-25 and for each subsequent Fiscal Year, the Board of Directors shall levy the Annual Special Tax A in accordance with the following steps:

Step One: The Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Developed Property at up to 100% of the applicable Assigned Annual Special Tax A rates in Table 1 to satisfy the Special Tax A Requirement.

Step Two: If additional moneys are needed to satisfy the Special Tax A Requirement after the first step has been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Approved Property at up to 100% of the applicable Maximum Annual Special Tax A to satisfy the Special Tax A Requirement.

Step Three: If additional moneys are needed to satisfy the Special Tax A Requirement after the first two steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property up to 100% of the Maximum Annual Special Tax A for Undeveloped Property applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Step Four: If additional moneys are needed to satisfy the Special Tax A Requirement after the first three steps have been completed, the Annual Special Tax A on each Assessor's Parcel of Developed Property for which the Maximum Special Tax A is the Backup Annual Special Tax A shall be increased Proportionately from the Assigned Annual Special Tax A up to 100% of the Backup Annual Special Tax A as needed to satisfy the Special Tax A Requirement.

Step Five: If additional moneys are needed to satisfy the Special Tax A Requirement after the first four steps have been completed, the Annual Special Tax A shall be levied Proportionately on each Assessor's Parcel of Provisional Exempt Property up to 100% of the Maximum Annual Special Tax A applicable to each such Assessor's Parcel as needed to satisfy the Special Tax A Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax A levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the owner of any other Assessor's Parcel or Assessor's Parcels and shall, in no event, exceed the Maximum Special Tax A in effect for the Fiscal Year in which the Special Tax A is being levied.

SECTION G PREPAYMENT OF SPECIAL TAX A

The following definitions apply to this Section G:

“Business Day” means days Temecula City Hall is open for business.

“CFD Public Facilities Amount” means \$13,486,000 expressed in 2024 dollars, which shall increase by the Construction Inflation Index on July 1, 2024, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to provide the Authorized Facilities under the authorized bonding program, or (ii) shall be determined by the Board of Directors concurrently with a covenant that the CFD will not issue any more Bonds.

“Construction Inflation Index” means the annual percentage change in the Engineering News-Record Building Cost Index for the City of Los Angeles, measured as of the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Construction Inflation Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Engineering News-Record Building Cost Index for the City of Los Angeles.

“Future Facilities Costs” means the CFD Public Facilities Amount minus (i) Bond proceeds deposited in an Improvement Fund and (ii) other amounts (proceeds of the levy of Special Tax A, interest earnings, etc.) held in an Improvement Fund that were available to fund such CFD Public Facilities Amount prior to the date of prepayment.

“Improvement Fund” means any fund or account established under an Indenture to hold funds which were or continue to be available for expenditure to pay costs of Authorized Facilities and any fund or account established prior to the issuance of Bonds for such purpose.

“Outstanding Bonds” means the principal amount of all previously issued Bonds which will remain outstanding after the payment from the amount of any Special Tax A that has therefore been levied, excluding Bonds to be redeemed at a later date with the proceeds of prior prepayments of Special Tax A.

Prepayment in Full

The Special Tax A obligation may be prepaid and permanently satisfied for (i) Assessor's Parcels of Developed Property, (ii) Assessor's Parcels of Approved Property or Undeveloped Property for which a Building Permit has been issued, (iii) Approved or Undeveloped Property for which a Building Permit has not been issued, and (iv) Assessor's Parcels of Provisional Exempt Property that are not Exempt Property pursuant to Section P. The Special Tax A obligation applicable to an Assessor's Parcel may be fully prepaid and the obligation to pay the Special Tax A for such Assessor's Parcel permanently satisfied as described herein; provided that a prepayment may be made only if there is no delinquent Special Tax A 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 A obligation for such Assessor's Parcel shall provide the CFD Administrator with written notice of intent to prepay, and within 5 business days of receipt of such notice, the CFD Administrator shall notify such owner of the amount of the non-refundable deposit determined by the CFD Administrator to cover the cost to be incurred for the CFD

in calculating the Prepayment Amount (as defined below) for the Assessor's Parcel. Within 15 business days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the Prepayment Amount for the Assessor's Parcel. Prepayment must be made not less than 60 days prior to the redemption date for any Outstanding Bonds to be redeemed with the proceeds of such prepaid Special Taxes.

The Prepayment Amount (defined below) shall be calculated as follows (capitalized terms are defined below):

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Amount
plus	Defeasance Amount
plus	Administrative Fees and Expenses
less	Reserve Fund Credit
Equals:	Prepayment Amount

The Prepayment Amount shall be determined by the CFD Administrator as of the proposed prepayment date as follows:

1. Confirm that no Special Tax A delinquencies apply to such Assessor's Parcel.
2. For Developed Property, compute the Maximum Special Tax A for the Assessor's Parcel. For Approved Property or Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has been issued for the Assessor's Parcel. For Approved Property or Undeveloped Property for which a Building Permit has not been issued or Provisional Exempt Property, compute the Maximum Special Tax A for the Assessor's Parcel.
3. Divide the Maximum Special Tax A derived pursuant to paragraph 2 by the total amount of Special Tax A that could be levied on all Taxable Property based on the applicable Maximum Special Tax A, including for Approved Property or Undeveloped Property for which a Building Permit has been issued, the Maximum Special Tax A for the Assessor's Parcel as though it was already designated as Developed Property. The calculation of the total amount of Maximum Special Tax A shall exclude Assessor's Parcels for which the Special Tax A obligation has been previously prepaid in full or the portion thereof that has been previously prepaid in part.
4. Multiply the quotient derived pursuant to paragraph 3 by the principal amount of the Outstanding Bonds to determine the amount of Outstanding Bonds to be redeemed with the Prepayment Amount (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (the "Redemption Premium").
6. Determine the Future Facilities Costs.
7. Multiply the quotient derived pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to determine the amount of Future Facilities Costs for the Assessor's Parcel (the "Future Facilities Amount").

8. Determine the amount needed to pay interest on the Bond Redemption Amount from the first bond interest and/or principal payment date following the current Fiscal Year until the earliest redemption date for the Outstanding Bonds on which Bonds can be redeemed from Special Tax prepayments.
9. Determine the Special Tax A levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.
10. Determine the amount the CFD Administrator reasonably expects to derive from the investment of the Bond Redemption Amount and the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the Prepayment Amount.
11. Add the amounts derived pursuant to paragraphs 8 and 9 and subtract the amount derived pursuant to paragraph 10 (the "Defeasance Amount").
12. Verify the administrative fees and expenses of the CFD, including the cost of computation of the Prepayment Amount not funded from the deposit, the cost to invest the Prepayment Amount, the cost of redeeming the Outstanding Bonds, and the cost of recording notices to evidence the prepayment of the Special Tax A obligation for the Assessor's Parcel and the redemption of Outstanding Bonds (the "Administrative Fees and Expenses").
13. The reserve fund credit (the "Reserve Fund Credit") shall equal the lesser of: (a) the expected reduction in the reserve requirement (as defined in the Indenture), if any, associated with the redemption of Outstanding Bonds as a result of the prepayment, or (b) the amount derived by subtracting the new reserve requirement (as defined in the Indenture) in effect after the redemption of Outstanding Bonds as a result of the prepayment from the balance in the reserve fund on the prepayment date, but in no event shall such amount be less than zero.
14. The Prepayment Amount is equal to the sum of the Bond Redemption Amount, the Redemption Premium, the Future Facilities Amount, the Defeasance Amount and the Administrative Fees and Expenses, less the Reserve Fund Credit.
15. From the Prepayment Amount, the Bond Redemption Amount, the Redemption Premium, and Defeasance Amount shall be deposited into the appropriate fund as established under the Indenture and be used to redeem Outstanding Bonds or make debt service payments. The Future Facilities Amount shall be deposited into the Improvement Fund. The Administrative Fees and Expenses shall be retained by the CFD to be used for payment thereof.

The Prepayment Amount may be sufficient to redeem other than a \$5,000 increment of Bonds. In such event, the increment above \$5,000 or an integral multiple thereof will be retained in the appropriate fund established under the Indenture to be used with the next redemption from other Special Tax A prepayments of Outstanding Bonds or to make debt service payments.

As a result of the payment of the current Fiscal Year's Special Tax A levy as determined pursuant to paragraph 9 above, if applicable and possible, the CFD Administrator shall remove the current Fiscal

Year's Special Tax A levy for the Assessor's Parcel from the County tax roll. With respect to any Assessor's Parcel for which the Special Tax A obligation is prepaid, the Board of Directors shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Tax A obligation and the release of the lien securing the payment of Special Tax A for the Assessor's Parcel, and the obligation to pay the Special Tax A for such Assessor's Parcel shall cease.

Notwithstanding the foregoing, no Special Tax A prepayment (whether in full pursuant to this Section G or in part pursuant to Section H below) shall be allowed unless the amount of Maximum Special Tax A that may be levied on all Assessor's Parcels of Taxable Property, excluding all Provisional Exempt Property and all Assessor's Parcels with delinquent Special Taxes, after the proposed prepayment will be at least 1.1 times maximum annual debt service on the Bonds that will remain outstanding after the prepayment plus the estimated annual Administrative Expenses, all as determined by the CFD Administrator.

Tenders of Bonds in prepayment of the Maximum Special Tax A obligation may be accepted upon the terms and conditions established by the Board of Directors pursuant to the Act. However, the use of Bond tenders shall only be allowed on a case-by-case basis as specifically approved by the Board of Directors.

SECTION H PARTIAL PREPAYMENT OF SPECIAL TAX A

The Special Tax A obligation for an Assessor's Parcel of Developed Property, Approved Property or Undeveloped Property may be partially prepaid. For purposes of determining the partial prepayment amount, the provisions of Section G shall be modified as provided by the following formula:

$$PP = ((P_E - A) \times F) + A$$

These terms have the following meaning:

PP = Partial Prepayment

P_E = the Prepayment Amount calculated according to Section G

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

A = the Administrative Fees and Expenses determined pursuant to Section G

The owner of an Assessor's Parcel who desires to partially prepay the Special Tax A obligation for the Assessor's Parcel shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Maximum Special Tax A obligation, and (ii) the percentage of the Maximum Special Tax A obligation such owner wishes to prepay. Within 5 Business Days of receipt of such notice, the CFD Administrator shall notify such property owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by the CFD in calculating the amount of a partial prepayment. Within 15 Business Days of receipt of such non-refundable deposit, the CFD Administrator shall notify such owner of the amount of the Partial Prepayment for the Assessor's Parcel. A Partial Prepayment must be made not less than 60 days prior to the redemption date for any Outstanding Bonds to be redeemed with the proceeds of the Partial Prepayment.

With respect to any Assessor's Parcel for which the Maximum Special Tax A obligation is partially prepaid, the CFD Administrator shall (i) distribute the Partial Prepayment as provided in Paragraph 15 of Section G and (ii) indicate in the records of the CFD that there has been a Partial Prepayment for the Assessor's Parcel and that a portion of the Special Tax A obligation equal to the remaining percentage (1.00 - F) of Special Tax A obligation will continue to be levied on the Assessor's Parcel pursuant to Section F.

**SECTION I
MAXIMUM SPECIAL TAX B**

1. Developed Property

Maximum Special Tax B

Each Fiscal Year, each Assessor's Parcel of Residential Property, Multifamily Residential Property, or Non-Residential Property shall be subject to a Maximum Annual Special Tax B.

The Maximum Annual Special Tax B applicable to an Assessor's Parcel of Developed Property shall be determined using the table below.

**TABLE 3
MAXIMUM SPECIAL TAX B RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2024-25**

Land Use Type	Maximum Special Tax B
Residential Property	\$420 per Unit
Multifamily Residential Property	\$8,904 per Acre
Non-Residential Property	\$8,904 per Acre

2. Approved Property, Undeveloped Property and Provisional Exempt Property

No Special Tax B shall be levied on Approved Property, Undeveloped Property, and Provisional Exempt Property.

3. Increase in the Maximum Special Tax B

On each July 1, commencing July 1, 2025, the Maximum Special Tax B shall be increased by an amount equal to five and six-tenths percent (5.6%) of the amount in effect for the previous Fiscal Year.

4. Maximum Special Tax B at Transition Year

For the Transition Year and each Fiscal Year thereafter, the Maximum Special Tax B for any Assessor's Parcel of Developed Property shall be \$0.00.

**SECTION J
METHOD OF APPORTIONMENT OF THE SPECIAL TAX B**

Commencing with Fiscal Year 2024-25 and for each following Fiscal Year, the Authority shall levy the Special Tax B at up to 100% of the applicable Maximum Special Tax B, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax B equals the Special Tax B Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax B levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the owner of any other Assessor's Parcel or Assessor's Parcels and shall, in no event, exceed the Maximum Special Tax B in effect for the Fiscal Year in which the Special Tax B is being levied.

**SECTION K
PREPAYMENT OF SPECIAL TAX B**

No prepayments of Special Tax B are permitted.

**SECTION L
MAXIMUM SPECIAL TAX C**

1. Developed Property

Maximum Special Tax C

For the Transition Year and each Fiscal Year thereafter, each Assessor's Parcel of Residential Property, Multifamily Residential Property, or Non-Residential Property shall be subject to a Maximum Special Tax C.

The Maximum Special Tax C applicable to an Assessor's Parcel of Developed Property shall be determined using the table below.

**TABLE 4
MAXIMUM SPECIAL TAX C RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2024-25**

Land Use Type	Maximum Special Tax C
Residential Property	\$785 per Unit
Multifamily Residential Property	\$16,641 per Acre
Non-Residential Property	\$16,641 per Acre

2. Approved Property, Undeveloped Property and Provisional Exempt Property

No Special Tax C shall be levied on Approved Property, Undeveloped Property, and Provisional Exempt Property.

3. Increase in the Maximum Special Tax C

On each July 1, commencing July 1, 2025, the Maximum Special Tax C shall be increased by an amount equal to five and six-tenths percent (5.6%) of the amount in effect for the previous Fiscal Year.

**SECTION M
METHOD OF APPORTIONMENT OF THE SPECIAL TAX C**

For the Transition Year and each Fiscal Year thereafter, the Authority shall levy the Special Tax C at up to 100% of the applicable Maximum Special Tax C, Proportionately on each Assessor's Parcel of Developed Property until the amount of Special Tax C equals the Special Tax C Requirement.

Notwithstanding the foregoing, pursuant to Section 53321 (d) of the Act, the Special Tax C levied against an Assessor's Parcel used for private residential purposes shall under no circumstances increase more than ten (10%) as a consequence of delinquency of default by the owner of any other Assessor's Parcel or Assessor's Parcels and shall, in no event, exceed the Maximum Special Tax C in effect for the Fiscal Year in which the Special Tax C is being levied.

**SECTION N
PREPAYMENT OF SPECIAL TAX C**

No prepayments of Special Tax C are permitted.

**SECTION O
TERM OF THE SPECIAL TAX A, SPECIAL TAX B, AND SPECIAL TAX C**

For each Fiscal Year that any Bonds are outstanding the Special Tax A shall be levied on all Assessor's Parcels subject to the Special Tax A. If any delinquent Annual Special Tax A amounts remain uncollected prior to or after the Transition Year, the Special Tax A may be levied to the extent necessary to reimburse CFD 23-02 for uncollected Annual Special Tax A amounts associated with the levy of such Special Tax A amounts, but not later than the 2064-65 Fiscal Year.

Prior to the Transition Year, Special Tax B shall be levied as long as the Authorized Services are being provided. Special Tax B shall not be levied during or after the Transition Year.

For the Transition Year and each Fiscal Year thereafter, Special Tax C shall be levied in perpetuity as long as the Authorized Services are being provided.

**SECTION P
EXEMPT PROPERTY**

The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or restricted in use by the State of California, Federal or other local governments, including school districts, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels which are owned by, irrevocably offered for dedication, encumbered by or which make use as a dwelling unit, or otherwise, infeasible by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels which are privately owned and are encumbered by or restricted solely for public uses, or (vi) other types of public uses determined by the CFD Administrator. The CFD Administrator shall classify such Assessor's Parcels as Exempt Property in the chronological order in which property becomes Exempt.

Notwithstanding the foregoing, the CFD Administrator for purposes of levying the Special Tax shall not, except for any Assessor's Parcel on which the Special Tax cannot be levied pursuant to the Mello-Roos Act, classify an Assessor's Parcel as Exempt Property if such classification would reduce the sum of all Taxable Property to less than the Acreage amounts listed in Table 5 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property to less than the Acreage amounts listed in Table 5 will be classified as Provisional Exempt Property, and will be subject to the levy of Special Tax pursuant to Step Five in Section F.

No Special Tax shall be levied on any Assessor's Parcel in any Fiscal Year in which such Assessor's Parcel is classified as Exempt Welfare Exemption Property.

**TABLE 5
MINIMUM TAXABLE ACRES**

Acres
11.18

**SECTION Q
APPEALS AND INTERPRETATIONS**

Any property owner claiming that the amount or application of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C that is disputed. The CFD Administrator shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C in dispute and rule on the appeal. If the CFD Administrator's decision requires that the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C for an Assessor's Parcel be modified or changed in favor of the property owner, a cash refund shall not be made (except for the last year of levy in the case of the Annual Special Tax A), but an adjustment shall be made to the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C on that Assessor's Parcel in the subsequent Fiscal Year(s).

The Board of Directors may interpret this Rate and Method of Apportionment of Special Tax for purposes of clarifying any ambiguity or to correct or supplement any defective or inconsistent provision hereof.

**SECTION R
MANNER OF COLLECTION**

The Annual Special Tax A, Annual Special Tax B, and Annual Special Tax C shall be collected in the same manner and at the same time as ordinary ad valorem property taxes, provided, however, that CFD 23-02 may collect the Annual Special Tax A, Annual Special Tax B, and Annual Special Tax C at a different time or in a different manner if necessary to meet its financial obligations.

EXHIBIT C

**TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 23-02
(PRADO)**

NOTICE OF PUBLIC HEARING

Notice is hereby given that the Board of Directors of the Temecula Public Financing Authority will conduct a public hearing on Tuesday, February 27, 2024 at 6:00 p.m. or as soon thereafter as practicable, in the Temecula City Council chambers located at 41000 Main Street, Temecula, California, to consider the following:

**INTENT TO FORM
TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO 23-02
(PRADO)**

On January 23, 2024, the Board of Director's of the Temecula Public Financing Authority adopted a Resolution entitled "A Resolution of the Board of Directors of the Temecula Public Financing Authority Declaring Its Intention to Establish a Community Facilities District and to Authorize the Levy of Special Taxes Therein – Prado" (the "Resolution of Intention"). Reference is hereby made to the Resolution of Intention on file in the office of the Secretary of the Temecula Public Financing Authority for further particulars.

In the Resolution of Intention, the Board of Directors declared its intention to form the Temecula Public Financing Authority Community Facilities District No. 23-02 (Prado) to fund costs of certain public improvements and municipal services identified in an exhibit to the Resolution of Intention. The proposed boundaries of the community facilities district were identified, and the Resolution of Intention identified a proposed special tax to be levied on real property to be included in the community facilities district to fund costs of the public improvements and the municipal services, and/or to pay debt service on bonds to be issued, in a principal amount not to exceed \$20,000,000, for the community facilities district to finance costs of the public improvements.

In the Resolution of Intention, the Board of Directors provided that the levy of the special tax will be subject to a mailed ballot election among the landowners in the community facilities district. The Board of Directors authorized the Executive Director of the Temecula Public Financing Authority to execute joint community facilities agreements with the City of Temecula, the Temecula Valley Unified School District, the Eastern Municipal Water District and any other public entity that will own and/or operate any of the public improvements, or that will provide any of the services, to be funded by the community facilities district, ordered the Director of Public Works of the City to prepare a report on the community facilities district, and called for a public hearing on the community facilities district. The Resolution of Intention also authorized the Executive Director of the Temecula Public Financing Authority to execute an Acquisition Agreement with Meritage Homes of California, Inc. relative to the construction and financing of improvements authorized to be financed by the community facilities district, in the form on file with the Secretary of the Authority.

At the hearing, the testimony of all interested persons or taxpayers for or against the establishment of the community facilities district, the extent of the community facilities district or the furnishing of specified types of public improvements and services will be heard. Any person interested may file a protest in writing with the Secretary of the Authority. If fifty percent or more of the registered voters, or six registered voters, whichever is more, residing in the territory proposed to be included in the community facilities district, or the owners of one-half or more of the area of land in the territory proposed to be included in the community facilities district and not exempt from the special tax file written protests against the establishment of the community facilities district and the protests are not withdrawn to reduce the value of the protests to less

than a majority, the Board of Directors of the Authority shall take no further action to establish the community facilities district or authorize the special taxes for a period of one year from the date of the decision of the Board of Directors, and if the majority protests of the registered voters or the landowners are only against the furnishing of a type or types of public improvements or services within the community facilities district, or against levying a specified special tax, those types of public improvements or services, or the specified special tax, will be eliminated from the proceedings to form the community facilities district.

Any person interested in these matters is invited to comment either for or against the above item. If you challenge the proposed action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice or in written correspondence delivered to the Board of Directors of the Authority at or prior to the public hearing.

/s/ Randi Johl

Secretary, Temecula
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