

RECORDING REQUESTED BY
AND RETURN TO:

CITY CLERK
CITY OF TEMECULA
41000 Main Street
Temecula, CA 92589-9033

EXEMPT FROM RECORDER'S FEES
Pursuant to Government Code
Sections 6103 and 27383

NOTICE OF SPECIAL TAX LIEN

**TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 20-01
(HEIRLOOM FARMS)**

NOTICE OF SPECIAL TAX LIEN

Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms)

Pursuant to the requirements of Section 3114.5 of the California Streets and Highways Code and Section 53311 et seq. of the California Government Code, the undersigned Secretary of the Temecula Public Financing Authority (the "Authority"), County of Riverside, State of California, hereby gives notice that a lien to secure payment of a special tax which the Board of Directors of the Authority authorized, is hereby imposed. The special tax secured by this lien is authorized to be levied for the purpose of paying principal and interest on bonds, the proceeds of which are being used to finance the costs of certain public improvements, as well as pay for public improvements and certain public services and administrative expenses, all as described on Exhibit A attached hereto and hereby made a part hereof.

The special tax is authorized to be levied within the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) which has now been officially formed and the lien of the special tax is a continuing lien which shall secure each annual levy of the special tax and which shall continue in force and effect until the special tax obligation is permanently satisfied and cancelled in accordance with law or until the special tax ceases to be levied and a notice of cessation of special tax is recorded in accordance with Section 53330.5 of the Government Code.

The rate, method of apportionment, and manner of collection of the authorized special tax is as set forth in Exhibit B attached hereto and hereby made a part hereof. Conditions under which the obligation to pay the special tax may be prepaid in part and permanently satisfied in part are as provided in Exhibit B hereto.

Notice is further given that upon the recording of this notice in the office of the County Recorder, the obligation to pay the special tax levy shall become a lien upon all nonexempt real property within the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) in accordance with Section 3115.5 of the California Streets and Highways Code.

The name(s) of the owner(s) of the real property included within the area of this community facilities district and the assessor's tax parcel(s) numbers of all parcels or any portion thereof which are included within the area of this community facilities district, in each case which are not exempt from the special tax and as they appear on the latest secured assessment roll as of the date of recording of this or as otherwise known to the Authority, are as set forth in Exhibit C attached hereto and hereby made a part hereof.

Reference is made to the boundary map of the community facilities district recorded on March 10, 2021 at 3:21 p.m. in Book 86 of Maps of Assessment and Community Facilities Districts at Page 46 (instrument no. 2021-0154323), in the office of the County Recorder for the County of Riverside, State of California, which map is now the final boundary map of the community facilities district.

For further information concerning the current and estimated future tax liability of owners or purchasers of real property subject to this special tax lien, interested persons should contact the Treasurer of the Temecula Public Financing Authority, Temecula Public Financing Authority, 41000 Main Street, Temecula, CA 92590, telephone number (951) 693-3945.

Dated: _____, 2021

By: _____
Secretary,
Temecula Public Financing Authority

EXHIBIT A

TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 20-01 (HEIRLOOM FARMS)

DESCRIPTION OF FACILITIES AND SERVICES TO BE FUNDED BY THE DISTRICT

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 2021-2025.
- 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.

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.

OTHER

The District may also finance any of the following:

1. Bond related expenses, including underwriters discount, appraisal and price point study costs, reserve fund, capitalized interest, bond and disclosure counsel fees and expenses, landowner counsel fees and expenses, and all other incidental expenses related to any special tax bonds (the "Bonds") issued for the District.
2. Administrative fees of the Authority, the City of Temecula and the Bond trustee or fiscal agent related to the District and the Bonds.

3. Reimbursement of costs related to the formation of the District advanced by the Authority, the City of Temecula, any landowner in the District, or any party related to any of the foregoing, as well as reimbursement of any costs advanced by the Authority, the City of Temecula, any landowner in the District or any party related to any of the foregoing, for facilities, fees or other purposes or costs of the District.

EXHIBIT B

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX FOR TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 20-01 (HEIRLOOM FARMS)

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 ("PFA") Community Facilities District No. 20-01 ("CFD No. 20-01"). An Annual Special Tax A, an Annual Special Tax B, and an Annual Special Tax C shall be levied on and collected in CFD No. 20-01 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. 20-01, 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. 20-01, including but not limited to the following: (i) the costs of computing Special Tax A, Special Tax B, and/or Special Tax C (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 thereof 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. Administrative Expenses shall also include amounts advanced by the City or the Authority for any administrative purposes of CFD No. 20-01.

"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. 20-01.

“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.

“Authorized Facilities” means the public facilities authorized to be financed, in whole or in part, by the CFD, 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 was formed.

“Authorized Services” means the services authorized to be funded, in whole or in part, by the CFD, 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 was formed.

“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 Temecula Public Financing Authority, acting as the legislative body of CFD No. 20-01, 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 proceeds of the levy of Special Tax A on Assessor’s Parcels within CFD No. 20-01.

“Boundary Map” means a recorded map of the CFD No. 20-01 which indicates the boundaries of CFD No. 20-01.

“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. 20-01. 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. 20-01” or “CFD” means the Temecula Public Financing Authority Community Facilities District No. 20-01 (Heirloom Farms) established 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 for Special Tax A, the Special Tax B Requirement for Special Tax B, and the Special Tax C Requirement for Special Tax C 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.

“Consumer Price Index” or “CPI” means, for each Fiscal Year, the Consumer Price Index published by the U.S. Bureau of Labor Statistics for “All Items for All Urban Consumers: in the Riverside-San Bernardino-Ontario area”, measured as of the month of December in the calendar year which ends in the previous Fiscal Year. In the event this index ceases to be published, the Consumer Price Index shall be another index as determined by the CFD Administrator that is reasonably comparable to the Consumer Price Index for the Riverside-San Bernardino-Ontario area.

“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 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 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 within the applicable Zone 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 otherwise 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. 20-01 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. 20-01 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. 20-01 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. 20-01 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 facilities authorized to be funded by CFD No. 20-01, and paid for by the levy on Developed Property of the Assigned Annual Special Tax A 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 fiscal agent agreement, or trust agreement.

“Special Tax B Requirement” means, subject to the Maximum Special Tax B, that amount to be collected in any Fiscal Year to pay for certain Authorized Services as required to meet the needs of CFD No. 20-01. 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 certain Authorized Services as required to meet the needs of CFD No. 20-01. 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 Tables 1 through 3 in Section D below.

“Taxable Property” means (i) with respect to Special Tax A, all Assessor’s Parcels within CFD No. 20-01, 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. 20-01, 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 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 there are sufficient revenues available to fully repay the Bonds in funds and accounts that, pursuant to the Indenture, will require such revenues to be applied to repay the Bonds; (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 Bonds and Special Tax A.

“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 2062-63.

“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.

“Zone(s)” means Zone 1, Zone 2, or Zone 3 as geographically identified on Attachment A of the RMA.

“Zone 1” means the specific area identified on Attachment A as Zone 1 of CFD 20-01.

“Zone 2” means the specific area identified on Attachment A as Zone 2 of CFD 20-01.

“Zone 3” means the specific area identified on Attachment A as Zone 3 of CFD 20-01.

SECTION B

CLASSIFICATION OF ASSESSOR’S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2021-22, each Assessor’s Parcel within CFD No. 20-01 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, Approved Property, Undeveloped Property and Provisional Exempt Property shall be classified as being within Zone 1, Zone 2, or Zone 3. If an Assessor’s Parcel of Developed Property, Approved Property, Undeveloped Property or Provisional Exempt Property is located within more than one Zone, it shall be deemed to be entirely within the Zone in which the largest portion of its Acreage is located. 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

The Maximum Special Tax A for each Assessor's Parcel of Residential Property, Multifamily Residential Property or Non-Residential Property in any Fiscal Year 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

The Maximum Special Tax A for each Assessor's Parcel classified as Approved Property, Undeveloped Property, or Provisional Exempt Property in any Fiscal Year shall be the Assigned Annual Special Tax A.

3. Increase in the Maximum Special Tax A

On each July 1, commencing July 1, 2022, the Maximum Special Tax A shall be increased by an amount equal to one percent (1.0%) 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.

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 tables below.

TABLE 1
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 1
FISCAL YEAR 2021-22

Land Use Type	Building Square Footage	Assigned Special Tax A
Residential Property	Less than 1,801	\$2,915 per Unit
Residential Property	1,801 – 2,000	\$3,020 per Unit
Residential Property	Greater than 2,000	\$3,125 per Unit
Multifamily Residential Property	N/A	\$49,422 per Acre
Non-Residential Property	N/A	\$49,422 per Acre

TABLE 2
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 2
FISCAL YEAR 2021-22

Land Use Type	Building Square Footage	Assigned Special Tax A
Residential Property	Less than 1,551	\$2,110 per Unit
Residential Property	1,551 – 1,750	\$2,310 per Unit
Residential Property	Greater than 1,750	\$2,410 per Unit
Multifamily Residential Property	N/A	\$71,940 per Acre
Non-Residential Property	N/A	\$71,940 per Acre

TABLE 3
ASSIGNED ANNUAL SPECIAL TAX A RATES
FOR DEVELOPED PROPERTY WITHIN ZONE 3
FISCAL YEAR 2021-22

Land Use Type	Building Square Footage	Assigned Special Tax A
Residential Property	Less than 1,601	\$2,275 per Unit
Residential Property	1,601 or Greater	\$2,400 per Unit
Multifamily Residential Property	N/A	\$60,689 per Acre
Non-Residential Property	N/A	\$60,689 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. In the Transition Year and each Fiscal Year thereafter, no Special Tax A shall be levied on Approved Property, Undeveloped Property, or Provisional Exempt Property. 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. 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 4 below:

TABLE 4
ASSIGNED ANNUAL SPECIAL TAX RATES
FOR APPROVED PROPERTY, UNDEVELOPED PROPERTY,
AND PROVISIONAL EXEMPT PROPERTY
FISCAL YEAR 2021-22

Zone	Assigned Special Tax A
Zone 1	\$49,422 per Acre
Zone 2	\$71,940 per Acre
Zone 3	\$60,689 per Acre

3. Increase in the Assigned Annual Special Tax A

On each July 1, commencing July 1, 2022, the Assigned Annual Special Tax A for any Assessor's Parcel of Taxable Property shall be increased by an amount equal to one percent (1.0%) 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.

**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 with a Zone 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 for the applicable Zone by the total Acreage of Taxable Property within the applicable Zone, 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 within the applicable Zone which are classified or reasonable 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, 2022, the Backup Annual Special Tax A shall be increased by an amount equal to one percent (1.0%) 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 2021-22 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 Tables 1, 2, and 3 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 \$12,200,000 expressed in 2021 dollars, which shall increase by the Construction Inflation Index on July 1, 2022, 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 previously levied on the 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 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 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, 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 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 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 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.

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 5
MAXIMUM SPECIAL TAX B RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2021-22

Land Use Type	Maximum Special Tax B
Residential Property	\$459 per Unit
Multifamily Residential Property	\$10,644 per Acre
Non-Residential Property	\$10,644 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, 2022, 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 2021-22 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 6
MAXIMUM SPECIAL TAX C RATES
FOR DEVELOPED PROPERTY
FISCAL YEAR 2021-22

Land Use Type	Maximum Special Tax C
Residential Property	\$975 per Unit
Multifamily Residential Property	\$22,609 per Acre
Non-Residential Property	\$22,609 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, 2022, 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.

For each Fiscal Year following the Transition Year, the Maximum Special Tax C shall increase on each subsequent July 1, by an amount equal to the greater of three percent (3.0%) or the positive percentage change in CPI, over the amount in effect for the previous Fiscal Year, all as determined by the CFD Administrator without additional action by the Board of Directors.

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 20-01 for uncollected Annual Special Tax A amounts associated with the levy of such Special Tax A amounts, but not later than the 2061-62 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 within the applicable Zone, (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 within the applicable Zone to less than the Acreage amounts listed in Table 6 below. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of all Taxable Property within the applicable Zone to less than the Acreage amounts listed in Table 6 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 6
MINIMUM TAXABLE ACRES

Zone	Acres
Zone 1	6.78
Zone 2	4.75
Zone 3	2.31

SECTION Q
APPEALS AND INTERPRETATIONS

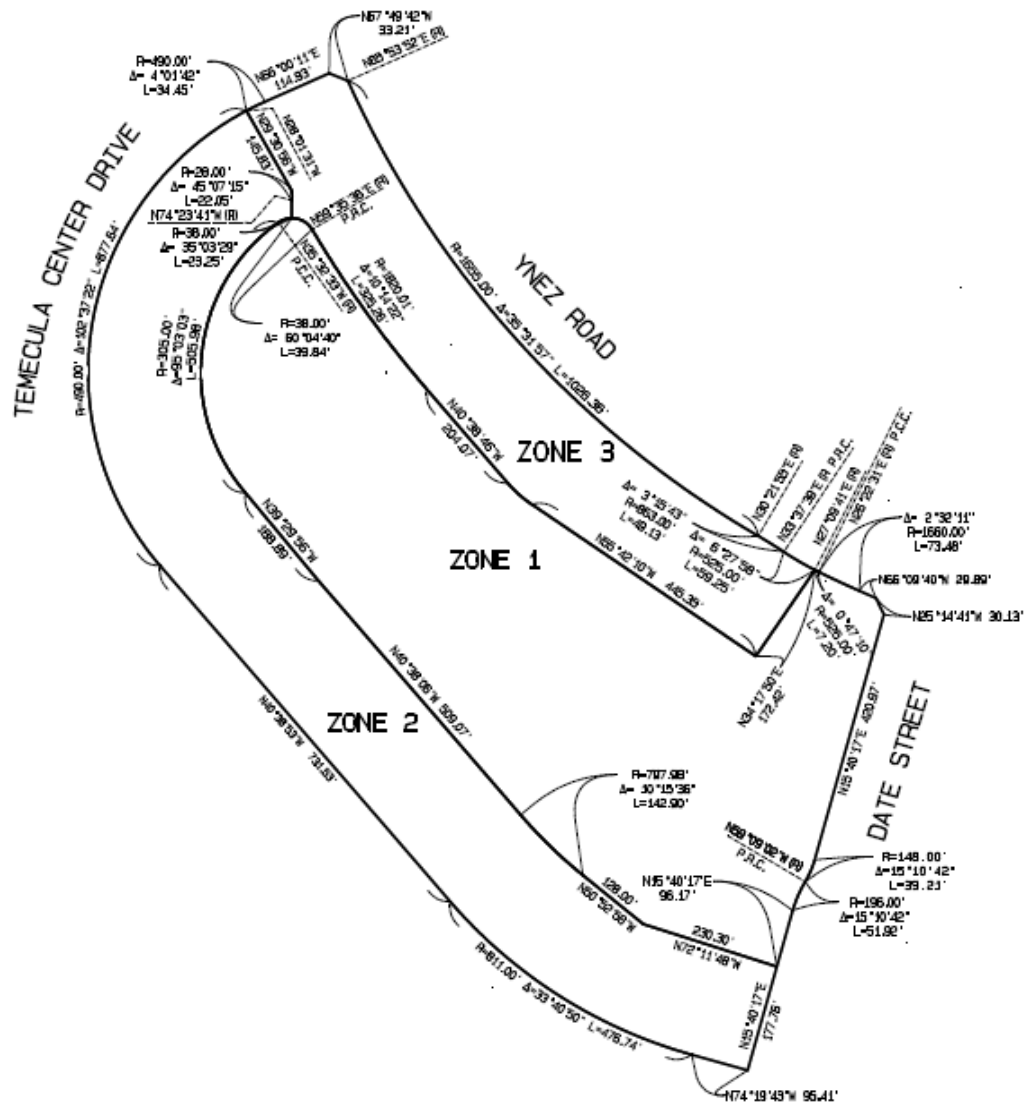
Any property owner claiming that the amount or application of the Annual Special Tax A, Annual Special Tax B, or Annual Special Tax C is not correct may file a written notice of appeal with the CFD Administrator not later than twelve months after having paid the first installment of the Annual Special 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 20-01 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.

ATTACHMENT A



Zone 1: Tentative Tract Map No. 37509, Lots 1-111, Lots A (portion), U-X, Y (portion), Z and AC.

Zone 2: Tentative Tract Map No. 37509, Lots 121-142, Lots H (portion), J-S, T (portion), and Y (portion).

Zone 3: Tentative Tract Map No. 37509, Lots 112-120, Lots A (portion), B-G, H (portion), I, T (portion), Y (portion), AA and AB.

EXHIBIT C

**TEMECULA PUBLIC FINANCING AUTHORITY
COMMUNITY FACILITIES DISTRICT NO. 20-01
(HEIRLOOM FARMS)**

**ASSESSOR'S PARCEL NUMBERS AND OWNER OF
LAND WITHIN THE DISTRICT**

County Assessor's
Parcel Numbers

916400034,
916400035,
916400036,
916400039 and
916400060

Owner of Record of Parcels

Meritage Homes of California, Inc.
5 Peters Canyon Road, Suite 310
Irvine, CA 92606