
**COMMUNITY FACILITIES DISTRICT NO. 2020-1
(PARK CIRCLE EAST/WEST)
OF THE VALLEY CENTER MUNICIPAL WATER DISTRICT
RATE AND METHOD OF APPORTIONMENT**

A Special Tax (as defined below) shall be levied on all Taxable Property (as defined below) within the boundaries of Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District (“CFD No. 2020-1”) and collected each Fiscal Year (as defined below) commencing in Fiscal Year 2020/2021 in an amount determined by the Water District Board (as defined below), through the application of this Rate and Method of Apportionment of the Special Tax to the extent and in the manner herein provided.

1. DEFINITIONS

“Acreage” or “Acre” 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 an Assessor's Parcel Map, the land area shown on the applicable Final Subdivision Map, parcel map, condominium plan, or other recorded County parcel map. An Acre means 43,560 square feet of land.

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

“Administrative Expenses” means the expenses incurred by the Water District on behalf of the CFD No. 2020-1 related to the determination of the amount of the levy of Annual Special Taxes; the collection of Annual Special Taxes including the expenses of collecting delinquencies; the administration of the Bonds; the payment of salaries and benefits of any employee of the Water District whose employment duties are directly related to the administration of CFD No. 2020-1; and the costs otherwise incurred in order to carry out authorized purposes of CFD No 2020-1.

“AD No. 2012-1” means the Valley Center Municipal Water District Assessment District No. 2012-1 (South Village Wastewater Expansion Project).

“AD No. 2012-1 Indebtedness” means the proportionate share of the indebtedness of AD No. 2012-1 apportioned to the Taxable Property within CFD No. 2012-1.

“Affordable Unit” means any unit subject to deed restrictions, resale restrictions, and/or regulatory agreements recorded in favor of the County providing for affordable housing under any applicable law.

“Annual Special Tax” means any Special Tax actually levied in any Fiscal Year on any Assessor’s Parcel.

“Assessor” means the Assessor of the County.

“Assessor's Parcel” means a Lot or parcel shown on an Assessor's Parcel Map with an assigned Assessor's Parcel number.

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

“Assigned Special Tax” means the Special Tax for each Land Use Class, as determined in accordance with Section 3 below.

“Backup Special Tax” means the Special Tax amount applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section 3.A (i), Section 3.B (i) or Section 3.C (i) below.

“Bonds” means any obligation of CFD No. 2020-1 to pay or repay a sum of money, including obligations in the form of bonds, certificates of participation, long-term leases, loans from government agencies, or loans from banks, other financial institutions, private businesses, or individuals, or long-term contracts, or any refunding thereof, secured in whole or in part by the levy of Special Taxes.

“Boundary Map” means that certain map entitled “Proposed Boundaries of Community Facilities District No. 2020-1 (Park Circle East/West) of the Valley Center Municipal Water District County of San Diego, State of California” recorded in the Official Records of the County.

“Building Permit” means a building permit for the construction of one or more Residential Units or Affordable Units or for the construction of Non-Residential Property within CFD No. 2020-1, issued by the County, or another public agency in the event the County no longer issues building permits.

“Building Square Footage” means the square footage of “assessable space,” as defined in Government Code Section 65995 as amended from time to time, of a Residential Unit. At the time of formation of CFD No. 2020-1, Section 65995 defines assessable space as all of the square footage within the perimeter of a residential structure, not including any carport, covered or uncovered walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area. The assessable space of a Residential Unit shall be determined by reference to the Building Permit(s) for such Residential Unit and/or other information as may demonstrate that the assessable space is specified incorrectly on the Building Permit(s).

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

“Capacity Charges” means the Capacity Charges identified in Exhibit B - Terms and Conditions Park Circle Subdivisions to the District Facilities Agreement.

“CFD Administrator” means an authorized representative of the Water District, or designee thereof, responsible for determining the Special Tax Requirement, for preparing the Annual Special Tax roll and calculating the Backup Special Tax.

“CFD No. 2020-1” means Community Facilities District No. 2020-1 (Park Circle East/West) of the Water District.

“County” means the County of San Diego, California.

“Debt Service” means for each Fiscal Year, the total amount of principal and interest payable on any Outstanding Bonds during the Calendar Year commencing on January 1 of such Fiscal Year.

“Developed Property” means for each Fiscal Year, all Assessor’s Parcels of Taxable Property, exclusive of Assessor’s Parcels of Provisional Undeveloped Property, for which a Building Permit was issued prior to May 1 of the previous Fiscal Year.

“District Facilities Agreement” means the District Facilities Agreement made August 16, 2019 among the Water District, VTL Valley Center Ranch, LLC and VTC Orchard Run, LLC.

“Exempt Property” means Assessor’s Parcels designated as being exempt from Special Taxes pursuant to Section 8.

“Facilities” shall mean the facilities specified in the resolution of formation establishing CFD No. 2020-1 pursuant to Section 53325.1 of the Act that are authorized to be financed from the proceeds of the Bonds or the levy of the Special Taxes.

“Final Subdivision Map” means a subdivision of property created by recordation of a final map or parcel map, pursuant to the Subdivision Map Act (California Government Code Section 66410 et seq.) or recordation of a condominium plan pursuant to California Civil Code 4200 et seq or lot line adjustment that creates individual lots for which building permits may be issued without further subdivision.

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

“General Manager” means the General Manager of the Water District or his/her designee.

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

“Land Use Class” means any of the classes listed in Table 1, Table 2, Table 3, Table 4 or Table 5 under Section 3 below.

“Lot” means an individual legal lot created by a Final Subdivision Map.

“Maximum Special Tax” means the Maximum Special Tax, determined in accordance with Section 3 below, which may be levied in any Fiscal Year on any Assessor’s Parcel of Taxable Property.

“Non-Residential Property” means all Assessor’s Parcels of Developed Property for which a building permit(s) was issued for non-residential use.

“Outstanding Bonds” mean all Bonds, which are deemed to be outstanding under the Indenture.

“Partial Prepayment Amount” means a prepayment of a portion of the Special Tax Obligation applicable to an Assessor’s Parcel of Taxable Property as set forth in Section 6.B below.

“Proportionately” or “Proportionate” means for Developed Property, that the ratio of the actual Special Tax levy to the Maximum Special Tax is equal for all Assessor’s Parcels of Developed Property. For Undeveloped Property, “Proportionately” means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax, as applicable, per Acre is equal for all Assessor’s Parcels of Undeveloped Property. The term “Proportionately” may similarly be applied to other categories of Taxable Property as described in Section 3 below.

“Provisional Undeveloped Property” means all Assessor’s Parcels of property that would otherwise be classified as Exempt Property pursuant to the provisions of Section 8, but cannot be classified as Exempt Property because to do so would reduce the Acreage of all Taxable Property below the required minimum Acreage as set forth in Section 8.

“Residential Unit” means each separate residential dwelling unit that comprises an independent facility capable of conveyance or rental separate from adjacent residential dwelling units, excluding any Affordable Units.

“Special Tax” means any special tax authorized to be levied within CFD No. 2020-1 pursuant to the Act and this Rate and Method of Apportionment.

“Special Tax Obligation” means the total obligation of an Assessor’s Parcel of Taxable Property to pay the Special Tax for the remaining life of CFD No. 2020-1.

“Special Tax Requirement” means that amount required in any Fiscal Year to: (i) pay the annual share of the AD No. 2012-1 indebtedness; (ii) pay Debt Service on all

Outstanding Bonds; (iii) pay the Capacity Charges as the same shall become due or reimburse the entity that paid such charges upon the availability; (iv) pay periodic costs on the Outstanding Bonds, including but not limited to, credit enhancement and rebate payments on the Outstanding Bonds; (v) pay Administrative Expenses; (vi) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds to the extent such replenishment has not been included in the computation of the Special Tax Requirement in a previous Fiscal Year; (vii) pay the costs associated with the release of funds from an escrow account established in association with the Bonds; (viii) accumulate funds to pay directly for acquisition or construction of Facilities, and (ix) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for Special Taxes levied in the previous Fiscal Year; less (x) a credit for funds available to reduce the annual Special Tax levy, as determined by the CFD Administrator pursuant to the Indenture.

“State” means the State of California.

“Taxable Property” means all of the Assessor's Parcels within the boundaries of CFD No. 2020-1, which are not exempt from the levy of the Special Tax pursuant to law or Section 8 below.

“Trustee” means the trustee or fiscal agent under the Indenture.

“Undeveloped Property” means, for each Fiscal Year, all Taxable Property within the boundaries of CFD No. 2020-1 not classified as Developed Property or Provisional Undeveloped Property.

“Water District” means the Valley Center Municipal Water District, California.

“Water District Board” means the Board of Directors of the Water District, acting as the legislative body of CFD No. 2020-1.

“Zone 1” means a geographic area consisting of Final Map No. 16361 and identified as Zone 1 on the Boundary Map. Zone 1 includes Zone 1A and Zone 1B as described below.

“Zone 1A” means a geographic sub-area of Zone 1 consisting of a portion of Final Map No. 16361 not identified as Zone 1B, as depicted in Exhibit A, attached hereto.

“Zone 1B” means a geographic sub-area of Zone 1, incorporating Affordable Units located on Lots 152, 192, 193 and 227 of Final Map No. 16361 and 48 Affordable Units and four (4) Residential Units located on Lot 272 of Final Map No. 16361, as depicted in Exhibit A, attached hereto.

“Zone 2” means a geographic area consisting of Final Map Nos. 15428 and 15830 and identified as Zone 2 on the Boundary Map.

“Zone 3” means a geographic area consisting of Final Map No. 16375 exclusive of Lots 203 and 204 and identified as Zone 3 on the Boundary Map. Zone 3 includes Zone 3A and Zone 3B as described below.

“Zone 3A” means a geographic sub-area of Zone 3 consisting of a portion of Final Map No. 16375 exclusive of Lot C and Lots 203 and 204, as depicted in Exhibit B, attached hereto.

“Zone 3B” means a geographic sub-area of Zone 3, incorporating Lot C of recorded Final Map No. 16375, as depicted in Exhibit B, attached hereto.

“Zone 4” means a geographic area consisting Lots 203 and 204 of Final Map No. 16375 and identified as Zone 4 on the Boundary Map.

2. LAND USE CLASSIFICATION

Each Fiscal Year, beginning with Fiscal Year 2020/2021, each Assessor’s Parcel within the boundaries of CFD No. 2020-1 shall be classified to either Zone 1A, Zone 1B, Zone 2, Zone 3A, Zone 3B or Zone 4 and further classified as Taxable Property or Exempt Property. In addition, all Taxable Property within CFD No. 2020-1 shall be classified as Developed Property or Undeveloped Property or Provisional Undeveloped Property, and all such Taxable Property shall be subject to the levy of Special Taxes in accordance with this Rate and Method of Apportionment determined pursuant to Sections 3 and 4 below. Furthermore, each Assessor’s Parcel of Developed Property which is a Residential Unit or Affordable Unit shall be classified to a Land Use Class based on its Building Square Footage.

Once classified as Developed Property, an Assessor’s Parcel may not be subsequently re-classified as Undeveloped Property or changed to Exempt Property without the Special Tax being paid off in full accordance with Section 6 below.

3. MAXIMUM SPECIAL TAX RATES

A. Developed Property in Zone 1A and Zone 1B

The Maximum Special Tax applicable to an Assessor’s Parcel classified as Developed Property in Zone 1A and Zone 1B for Fiscal Year 2020/2021 shall be the greater of (i) the Assigned Special Tax determined pursuant to Table 1 and 2 below or (ii) the amount derived by application of the Backup Special Tax.

Table 1
Zone 1A -Assigned Special Tax Rates
Fiscal Year 2020/2021

Land Use Class	Building Square Footage	Assigned Special Tax
1	1,800 Sq. Ft. or less	\$902 per Residential Unit
2	1,801 to 2,200 Sq. Ft.	\$1,023 per Residential Unit
3	2,201 to 2,600 Sq. Ft.	\$1,215 per Residential Unit
4	Greater than 2,600 Sq. Ft.	\$1,344 per Residential Unit

Table 2
Zone 1B -Assigned Special Tax Rates
Fiscal Year 2020/2021

Land Use Class	Building Square Footage	Assigned Special Tax
1	1,399 Sq. Ft. or less	\$287 per Affordable or Residential Unit
2	1,400 to 1,700 Sq. Ft.	\$503 per Affordable or Residential Unit
3	Greater than 1,700 Sq. Ft.	\$864 per Affordable or Residential Unit

Each July 1, commencing July 1, 2021, the Zone 1A and Zone 1B Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

i. Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 1A and Zone 1B

The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2020/2021 shall be \$10,792 per Acre for Zone 1A and \$5,369 per Acre for Zone 1B.

Each July 1, commencing July 1, 2021, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Provisional Undeveloped Property in Zone 1A and Zone 1B

The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2020/2021 shall be \$10,792 per Acre for Zone 1A and \$5,369 per Acre for Zone 1B.

Each July 1, commencing July 1, 2021, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

B. Developed Property in Zone 2

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property in Zone 2 for Fiscal Year 2020/2021 shall be the greater of (i) the Assigned Special Tax determined pursuant to Table 3 below or (ii) the amount derived by application of the Backup Special Tax.

Table 3
Zone 2 -Assigned Special Tax Rates
Fiscal Year 2020/2021

Land Use Class	Building Square Footage	Assigned Special Tax
1	2,300 or less Sq. Ft.	\$1,458 per Residential Unit
2	2,301 to 2,600 Sq. Ft.	\$1,689 per Residential Unit
3	Greater than 2,600 Sq. Ft.	\$1,881 per Residential Unit

Each July 1, commencing July 1, 2021, the Zone 2 Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

i. Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 2

The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an Assessor's Parcel of Undeveloped Property for Fiscal Year 2020/2021 shall be \$6,461 per Acre.

Each July 1, commencing July 1, 2021, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Provisional Undeveloped Property in Zone 2

The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2020/2021 shall be \$6,461 per Acre.

Each July 1, commencing July 1, 2021, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

C. Developed Property in Zone 3A and Zone 3B

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property in Zone 3A and Zone 3B for Fiscal Year 2020/2021 shall be the greater of (i) the Assigned Special Tax determined pursuant to Table 4 and 5 below or (ii) the amount derived by application of the Backup Special Tax.

**Table 4
Zone 3A -Assigned Special Tax Rates
Fiscal Year 2020/2021**

Land Use Class	Building Square Footage	Assigned Special Tax
1	2,000 or less Sq. Ft.	\$711 per Residential Unit
2	2,001 to 2,200 Sq. Ft.	\$938 per Residential Unit
3	2,201 to 2,400 Sq. Ft.	\$1,092 per Residential Unit
4	2,401 to 2,600 Sq. Ft.	\$1,272 per Residential Unit
5	Greater than 2,600	\$1,485 per Residential Unit

**Table 5
Zone 3B -Assigned Special Tax Rates
Fiscal Year 2020/2021**

Land Use Class	Building Square Footage	Assigned Special Tax
1	2,950 or less Sq. Ft.	\$1,817 per Residential Unit
2	Greater than 2,950 Sq. Ft.	\$1,949 per Residential Unit

Each July 1, commencing July 1, 2021, the Zone 3A and Zone 3B Assigned Special Tax for Developed Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

i. Backup Special Tax and Undeveloped Property Maximum Special Tax for Zone 3A and Zone 3B

The Backup Special Tax applicable to an Assessor's Parcel classified as Developed Property or the Maximum Special Tax applicable to an

Assessor's Parcel of Undeveloped Property for Fiscal Year 2020/2021 shall be \$13,592 per Acre for Zone 3A and \$15,637 per Acre for Zone 3B.

Each July 1, commencing July 1, 2021, the Backup Special Tax for Developed Property and the Maximum Special Tax for Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

ii. Provisional Undeveloped Property in Zone 3A and Zone 3B

The Maximum Special Tax for Provisional Undeveloped Property for Fiscal Year 2020/2021 shall be \$13,592 per Acre for Zone 3A and \$15,637 per Acre for Zone 3B.

Each July 1, commencing July 1, 2021, the Maximum Special Tax for Provisional Undeveloped Property shall be increased by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

D. Developed Property, Undeveloped Property or Provisional Undeveloped Property in Zone 4

The Maximum Special Tax applicable to an Assessor's Parcel classified as Developed Property, Undeveloped Property or Provisional Undeveloped Property in Zone 4 for Fiscal Year 2020/2021 shall be \$3,972 per Acre. Such amount shall increase each July 1, commencing with July 1, 2021 by two percent (2.0%) of the amount in effect in the prior Fiscal Year.

4. METHOD OF APPORTIONMENT

A. Special Tax

For each Fiscal Year, commencing Fiscal Year 2020/2021, the CFD Administrator shall calculate the Annual Special Tax on all Taxable Property in accordance with the following steps:

Step 1: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property up to 100% of the applicable Assigned Special Tax in Zones 1, 2 and 3 and the Maximum Special Tax in Zone 4 as necessary to satisfy the Special Tax Requirement;

Step 2: If additional monies are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped

Property up to 100% of the Maximum Special Tax for Undeveloped Property;

Step 3: If additional monies are needed to satisfy the Special Tax Requirement after the first two steps have been completed, then the levy of the Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is determined through the application of the Backup Special Tax shall be increased Proportionately from the Assigned Special Tax up to 100% of the Maximum Special Tax for each such Assessor's Parcel; and

Step 4: If additional monies are needed to satisfy the Special Tax Requirement after the first three steps have been completed, then the Special Tax shall be levied Proportionately on each Assessor's Parcel of Provisional Undeveloped Property at up to 100% of the Maximum Special Tax for Provisional Undeveloped Property.

Notwithstanding the above, under no circumstances will the Special Tax levied against any Assessor's Parcel of Developed Property for which an occupancy permit for private residential use has been issued be increased by more than ten percent (10%) as a consequence of delinquency or default by the owner of any other Assessor's Parcel within CFD No. 2020-1.

5. COLLECTON OF ANNUAL SPECIAL TAXES

Collection of the Annual Special Tax shall be by the County in the same manner as ordinary ad valorem property taxes are collected and the Annual Special Tax shall be subject to the same penalties and the same lien priority in the case of delinquency as ad valorem taxes; provided, however, that the Water District may provide for (i) other means of collecting the Annual Special Tax, including direct billings thereof to the property owners; and (ii) judicial foreclosure of delinquent Special Taxes to meet the financial obligations of CFD No. 2020-1.

6. PREPAYMENT OF SPECIAL TAX OBLIGATION

Property owners may prepay and permanently satisfy the Special Tax Obligation by a cash settlement with the Water District as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

The following definitions apply to this Section 6:

“CFD Public Facilities Costs” means \$17,250,000 in Calendar Year 2019 dollars, which shall increase by the Construction Inflation Index (as defined below) on July 1, 2020, and on each July 1 thereafter, or such lower number as (i) shall be determined by the CFD Administrator as sufficient to acquire or construct the Facilities, or (ii) shall be determined by the Water District concurrently with a covenant that it will not issue

any more CFD No. 2020-1 Bonds (except refunding bonds) to be supported by Special Taxes.

“Construction Fund” means the fund (regardless of its name) established pursuant to the Indenture to hold funds, which are currently available for expenditure to acquire or construct the Facilities or pay fees.

“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 Costs minus (i) costs previously paid from the Construction Fund to acquire or construct the Facilities, (ii) monies currently on deposit in the Construction Fund, and (iii) monies currently on deposit in an escrow or other earmarked fund that are expected to be available to finance CFD Public Facilities Costs.

“Outstanding Bonds” means all Previously Issued Bonds, which remain outstanding as of the first interest and/or principal payment date following the current Fiscal Year excluding Bonds to be redeemed at a later date with proceeds of prior prepayments of Maximum Special Taxes.

“Previously Issued Bonds” means all Bonds that have been issued prior to the date of prepayment.

A. Prepayment in Full

The Special Tax Obligation applicable to an Assessor’s Parcel may be prepaid and the obligation of the Assessor’s Parcel to pay any Special Tax permanently satisfied as described herein, provided that a prepayment may be made with respect to a particular Assessor’s Parcel only if there are no delinquent Special Taxes with respect to such Assessor’s Parcel at the time of prepayment. An owner of an Assessor’s Parcel intending to prepay the Special Tax Obligation shall provide the CFD Administrator with written notice of intent to prepay and the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the Prepayment Amount (as defined below) for such Assessor’s Parcel within thirty (30) days of the request and may charge a reasonable fee for providing this service. Prepayment must be made more than sixty (60) days prior to any redemption date for the CFD No. 2020-1 Bonds to be redeemed with the proceeds of such prepaid Special Taxes, unless a shorter period is acceptable to the Trustee and the Water District.

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

	Bond Redemption Amount
plus	Redemption Premium
plus	Future Facilities Prepayment Amount
plus	Defeasance Amount
plus	Prepayment Administrative Fees and Expenses
less	Reserve Fund Credit
<u>less</u>	<u>Capitalized Interest Credit</u>
Total: equals	Prepayment Amount

As of the proposed date of prepayment, the Prepayment Amount (defined below) shall be calculated as follows:

Paragraph No.:

1. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.
2. For an Assessor's Parcel of Developed Property, determine the Maximum Special Tax. For an Assessor's Parcel of Undeveloped Property for which a Building Permit has been issued, compute the Maximum Special Tax for that Assessor's Parcel as though it was already designated as Developed Property, based upon the Building Permit which has already been issued for that Assessor's Parcel. For an Assessor's Parcel of Undeveloped Property for which a Building Permit has not been issued, compute the Maximum Special Tax for that Assessor's Parcel as Undeveloped Property.
3. Divide the Maximum Special Tax computed pursuant to paragraph 2 by the total estimated Maximum Special Tax for CFD No. 2020-1 based on the Developed Property Special Tax which could be levied in the current Fiscal Year on all expected development through build-out of CFD No. 2020-1 as determined by the CFD Administrator, excluding any Assessor's Parcels for which the Special Tax Obligation has been prepaid.
4. Multiply the quotient computed pursuant to paragraph 3 by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (the "Bond Redemption Amount").
5. Multiply the Bond Redemption Amount computed pursuant to paragraph 4 by the applicable redemption premium (expressed as a percentage), if any, on the Outstanding Bonds to be redeemed at the first available call date (the "Redemption Premium").
6. Compute the current Future Facilities Costs.
7. Multiply the quotient computed pursuant to paragraph 3 by the amount determined pursuant to paragraph 6 to compute the amount of Future Facilities Costs to be prepaid (the "Future Facilities Prepayment Amount").

8. Compute 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.
9. Compute the amount the CFD Administrator reasonably expects to derive from the reinvestment of the Prepayment Amount less the Future Facilities Costs and the Prepayment Administrative Fees and Expenses from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.
10. Take the amount computed pursuant to paragraph 8 and subtract the amount computed pursuant to paragraph 9 (the “Defeasance Amount”).
11. Verify the administrative fees and expenses of CFD No. 2020-1, including the costs of computation of the prepayment, the costs to invest the prepayment proceeds, the costs of redeeming Bonds, and the costs of recording any notices to evidence the prepayment and the redemption (the “Prepayment Administrative Fees and Expenses”).
12. If reserve funds for the Outstanding Bonds, if any, are at or above 100% of the reserve requirement (as defined in the Indenture) on the prepayment date, and if permitted by the Indenture, a reserve fund credit shall be calculated as a reduction in the applicable reserve fund for the Outstanding Bonds to be redeemed pursuant to the prepayment (the “Reserve Fund Credit”). No Reserve Fund Credit shall be granted if reserve funds are below 100% of the reserve requirement.
13. If any capitalized interest for the Outstanding Bonds will not have been expended at the time of the first interest and/or principal payment following the current Fiscal Year, a capitalized interest credit shall be calculated by multiplying the larger quotient computed pursuant to paragraph 3 by the expected balance in the capitalized interest fund after such first interest and/or principal payment (the “Capitalized Interest Credit”).
14. The Special Tax Obligation is equal to the sum of the amounts computed pursuant to paragraphs 4, 5, 7, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 (the “Prepayment Amount”).
15. From the Prepayment Amount, the sum of the amounts computed pursuant to paragraphs 4, 5, and 10, less the amounts computed pursuant to paragraphs 12, and 13 shall be deposited into the appropriate fund as established under the Indenture and be used to retire Outstanding Bonds or make Debt Service payments. The amount computed pursuant to paragraph

7 shall be deposited into the Construction Fund. The amount computed pursuant to paragraph 11 shall be retained by CFD No. 2020-1.

The Prepayment Amount may be sufficient to redeem an amount other than a \$5,000 increment of Bonds. In such cases, the increment above \$5,000 or integral multiple thereof will be retained in the appropriate fund established under the Indenture to redeem Bonds to be used with the next prepayment of Bonds.

The CFD Administrator will confirm that all previously levied Special Taxes have been paid in full. With respect to any Assessor's Parcel that is prepaid in full, once the CFD Administrator has confirmed that all previously levied Special Taxes have been paid, the Water District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the Special Tax Obligation of such Assessor's Parcel to pay the Special Tax shall cease.

Notwithstanding the foregoing, no Special Tax prepayment shall be allowed unless the amount of Maximum Special Taxes less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

B. Partial Prepayment

The Special Tax on an Assessor's Parcel of Developed Property or for Undeveloped Property for which a Building Permit has been issued may be partially prepaid. The Partial Prepayment Amount shall be calculated as in Section 6.A.; except that a partial prepayment shall be calculated according to the following formula:

$$PP = P_E \times F.$$

These terms have the following meaning:

PP = the Partial Prepayment

P_E = the Prepayment Amount calculated according to Section 6.A.

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

The owner of any Assessor's Parcel who desires such prepayment shall notify the CFD Administrator of (i) such owner's intent to partially prepay the Special Tax, (ii) the percentage by which the Special Tax shall be prepaid, and (iii) the company or agency that will be acting as the escrow agent, if any. The CFD Administrator shall provide the owner with a statement of the amount required for the partial prepayment of the Special Tax for an Assessor's Parcel within sixty (60) days of the request and may charge a reasonable fee for providing this service

With respect to any Assessor's Parcel that is partially prepaid, the Water District shall (i) distribute the funds remitted to it according to Section 6.A., and (ii) indicate in the records of CFD No. 2020-1 that there has been a partial prepayment of the Special Tax and that a portion of the Special Tax with respect to such Assessor's Parcel, equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax, shall continue to be levied on such Assessor's Parcel pursuant to Section 3.

Notwithstanding the foregoing, no partial prepayment shall be allowed unless the amount of Maximum Special Taxes A less Administrative Expenses for each Fiscal Year that may be levied on Taxable Property, respectively, after the proposed partial prepayment is at least 1.1 times the annual Debt Service on all Outstanding Bonds.

7. TERM OF SPECIAL TAX

The Annual Special Tax shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds has been issued, but in any event shall not be levied after Fiscal Year 2069/2070.

8. EXEMPTIONS

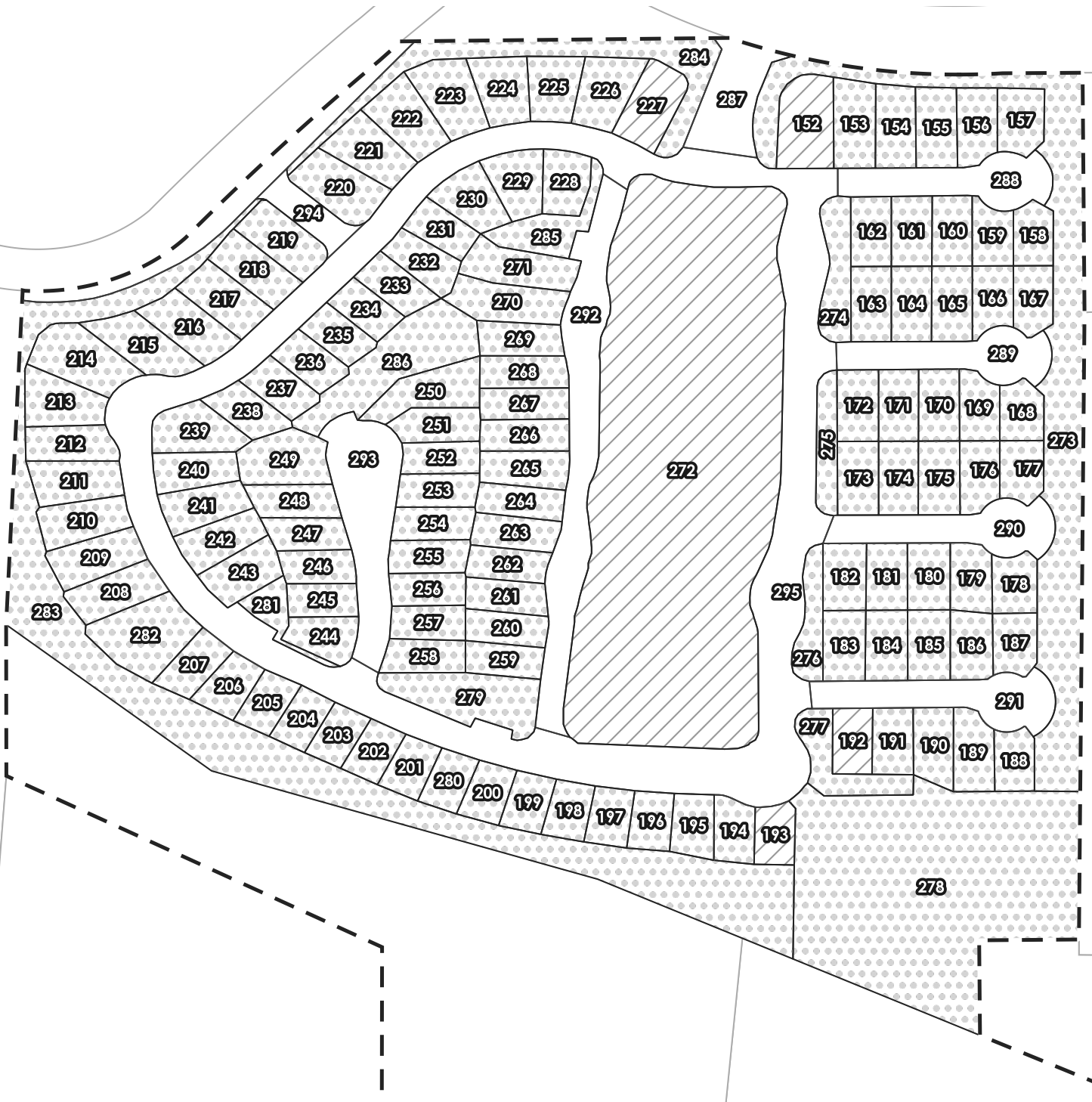
The CFD Administrator shall classify as Exempt Property (i) Assessor's Parcels owned by the State, federal or other local governments, (ii) Assessor's Parcels which are used as places of worship and are exempt from ad valorem property taxes because they are owned by a religious organization, (iii) Assessor's Parcels developed or planned to be developed exclusively for any type of non-residential use except in Zone 4, (iv) Assessor's Parcels with public utility easement or dedications making impractical its utilization for purposes other than set forth in the easement or dedication, as determined reasonably by the CFD Administrator, provided that no such classification would reduce the sum of all Taxable Property within CFD No. 2020-1 to less than 12.76 Acres in Zone 1A, 4.23 Acres in Zone 1B, 34.50 acres in Zone 2, 16.94 acres in Zone 3A, 12.29 acres in Zone 3B and 3.85 acres in Zone 4. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the sum of all Taxable Property in CFD No. 2020-1 to less than 16.99 Acres in Zone 1, 34.50 acres in Zone 2, 29.23 acres in Zone 3 and 3.85 acres in Zone 4 shall be classified as Provisional Undeveloped Property, and will continue to be subject to the Special Tax accordingly. Tax exempt status for the purpose of this paragraph will be assigned by the CFD Administrator in the chronological order in which property becomes eligible for classification as Exempt Property.

If the use of an Assessor's Parcel of Exempt Property changes so that such Assessor's Parcel is no longer classified as one of the uses set forth in the first paragraph of this Section 8 above that would make such Assessor's Parcel eligible to be classified as Exempt Property, such Assessor's Parcel shall cease to be classified as Exempt Property and shall be deemed to be Taxable Property.

9. APPEALS

Any landowner who pays the Annual Special Tax and claims the amount of the Annual Special Tax levied on his or her Assessor's Parcel is in error shall first consult with the CFD Administrator regarding such error not later than twelve (12) months after first having paid the first installment of the Annual Special Tax that is disputed. If following such consultation, the CFD Administrator determines that an error has occurred, the CFD Administrator may recommend changing the amount of the Annual Special Tax levied on such Assessor's Parcel. If following such consultation and action, if any by the CFD Administrator, the landowner believes such error still exists, such person may file a written notice with the General Manager appealing the amount of the Annual Special Tax levied on such Assessor's Parcel. Upon the receipt of such notice, the General Manager may establish such procedures as deemed necessary to undertake the review of any such appeal. The General Manager shall interpret this Rate and Method of Apportionment and make determinations relative to the administration of the Annual Special Tax and any landowner appeals. The decision of the General Manager shall be final and binding as to all persons.

COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



Proposed CFD Boundary



Zone 1A



Zone 1B

KOPPEL & GRUBER
PUBLIC FINANCE

334 Via Vera Cruz, Suite 256
San Marcos, California 92078
Phone (760) 510-0290

THE SAN DIEGO COUNTY
ASSESSORS MAPS SHALL
GOVERN FOR ALL THE
DETAILS CONCERNING THE
LINES AND DIMENSIONS OF
SUCH LOTS OF PARCELS.

N



N.T.S

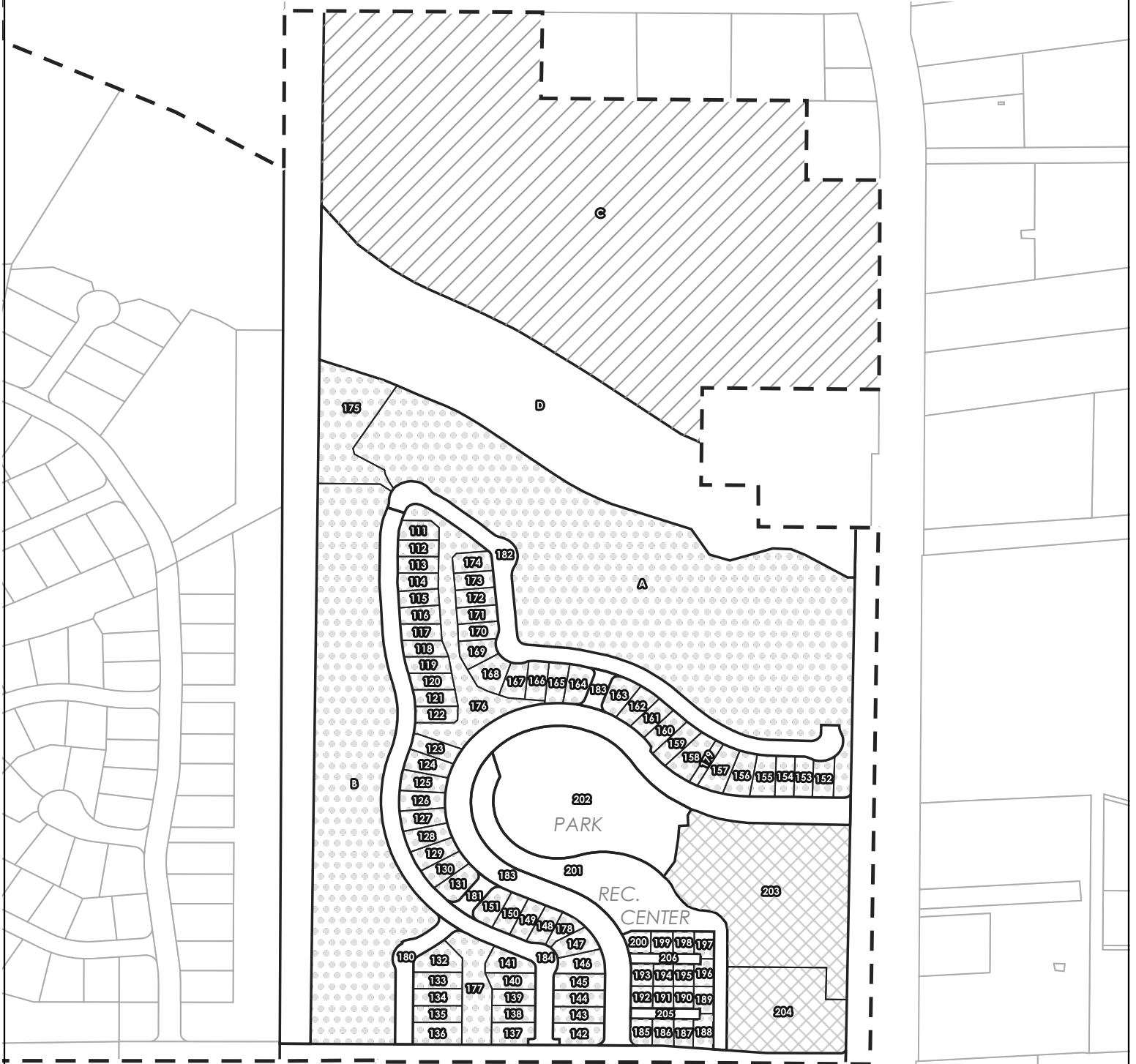
Exhibit B

ZONE 3A AND ZONE 3B

FINAL MAP NO. 16375

**COMMUNITY FACILITIES DISTRICT NO. 2020-1
VALLEY CENTER MUNICIPAL WATER DISTRICT**

COUNTY OF SAN DIEGO
STATE OF CALIFORNIA



Proposed CFD Boundary



Zone 3A



Zone 3B



Zone 4

KOPPE & GRUBER
PUBLIC FINANCE

334 Via Vera Cruz, Suite 256
San Marcos, California 92078
Phone (760) 510-0290

THE SAN DIEGO COUNTY
ASSESSORS MAPS SHALL
GOVERN FOR ALL THE
DETAILS CONCERNING THE
LINES AND DIMENSIONS OF
SUCH LOTS OF PARCELS.

N



N.T.S