

RATE AND METHOD OF APPORTIONMENT FOR
MORENO VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2002-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2002-1 ("CFD No. 2002-1") of the Moreno Valley Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2002-2003, in an amount determined by the School District, through the application of the Rate and Method of Apportionment as described below. All of the real property within CFD No. 2002-1, unless exempted by law or by the provisions hereof, shall be taxed for the purposes, to the extent and in the manner herein provided.

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 an Assessor's Parcel Map, the land area shown on the applicable final map, parcel map, condominium plan, or other recorded County map.

"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 following actual or reasonably estimated costs directly related to the administration of CFD No. 2002-1: the costs of computing the Special Taxes and preparing the annual Special Tax collection schedules (whether by the School District or designee thereof or both); the costs of collecting the Special Taxes (whether by the County or otherwise); the costs of remitting the Special Taxes to the Trustee; the costs of the Trustee (including its legal counsel) in the discharge of the duties required of it under the Indenture; the costs to the School District, CFD No. 2002-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2002-1 or any designee thereof of complying with School District, CFD No. 2002-1 or obligated persons disclosure requirements associated with applicable federal and state securities laws and of the Act; the costs associated with preparing Special Tax disclosure statements and responding to public inquiries regarding the Special Taxes; the costs of the School District, CFD No. 2002-1 or any designee thereof related to an appeal of the Special Tax; the costs associated with the release of funds from an escrow account; and the School District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts estimated or advanced by the School District or CFD No. 2002-1 for any other administrative purposes of CFD No. 2002-1, including attorney's fees and other costs related to commencing and pursuing to completion any foreclosure of delinquent Special Taxes.

"Assessor's Parcel" means a lot or parcel shown in an Assessor's Parcel Map with an assigned Assessor's parcel number.

"Assessor's Parcel Map" means an official map of the County Assessor of the County designating parcels by Assessor's Parcel number.

"Assigned Special Tax" means the Special Tax for each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Backup Special Tax" means the Special Tax applicable to each Assessor's Parcel of Developed Property, as determined in accordance with Section C below.

"Bonds" means any bonds or other debt (as defined in Section 53317(d) of the Act), whether in one or more series, issued by CFD No. 2002-1 under the Act which are secured by Special Taxes.

"CFD No. 2002-1" means the Moreno Valley Unified School District Community Facilities District No. 2002-1.

"City" means the City of Moreno Valley.

"County" means the County of Riverside.

"Developed Floor Area" means the total building square footage of the building(s) located on an Assessor's Parcel, measured from outside wall to outside wall, exclusive of overhangs, porches, patios, garages, carports, or similar spaces attached to the building. The determination of Developed Floor Area shall be made by reference to the building permit(s) issued for such Assessor's Parcel.

"Developed Property" means, for each Fiscal Year, all Taxable Property, exclusive of Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property for which a building permit for new construction was issued prior to May 1st of the prior Fiscal Year.

"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 1352 that creates individual lots for which building permits may be issued without further subdivision.

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

"Indenture" means the indenture, fiscal agent agreement, resolution or other instrument pursuant to which Bonds are issued, as modified, amended and/or supplemented from time to time.

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

"Maximum Special Tax" means the Maximum Special Tax, determined in accordance with Section C below, that can be levied in any Fiscal Year on any Assessor's Parcel.

"Non-Residential Property" means all Assessor Parcels of Developed Property for which a building permit was issued for any type of non-residential use.

"Outstanding Bonds" means all Bonds which are deemed to be outstanding under the Indenture.

"Proportionately" means, for Developed Property, that the ratio of the actual Special Tax levy to the Assigned Special Tax is equal for all Assessor's Parcels of Developed Property whose Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property and Taxable Religious Property "Proportionately" means that the ratio of the actual Special Tax levy per Acre to the Maximum Special Tax per Acre is equal for all Assessor's Parcels of Undeveloped Property, Taxable Public Property, Taxable Property Owner Association Property, and Taxable Religious Property.

"Property Owner Association Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as of January 1st of the prior Fiscal Year.

"Public Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably offered for dedication to the federal government, the State of California, the County, the City or any other public agency as of January 1st of the prior Fiscal Year or (ii) encumbered by an unmanned utility easement making impractical its utilization for other than the purpose set forth in the easement as of January 1st of the prior Fiscal Year, provided however that any property leased by a public agency to a private entity and subject to taxation under Section 53340.1 of the Act shall be taxed and classified in accordance with its use.

"Religious Property" means, for each Fiscal Year, any property within the boundaries of CFD No. 2002-1 for which the owner notifies School District prior to May 1 of the prior Fiscal Year that it is used primarily as a place of worship and which School District confirms is exempt from *ad valorem* property taxes because it is owned by a religious organization as of January 1st of the prior Fiscal Year. Religious Property, without limitation, does not include any Assessor's Parcels used for religious schools, day care, or congregate care facilities.

"Residential Property" means all Assessor Parcels of Developed Property for which a building permit has been issued for purposes of constructing one or more residential dwelling units.

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

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Taxable Property in accordance with Section D.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 2002-1 to: (i) pay debt service on all Outstanding Bonds due in the calendar year that commences in such Fiscal Year; (ii) pay periodic costs on the Bonds, including but not limited to, credit enhancement and rebate payments on the Bonds; (iii) pay Administrative Expenses; (iv) pay any amounts required to establish or replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of CFD No. 2002-1 facilities eligible under the Act so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes levied in the previous Fiscal Year, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Superintendent of Business Services pursuant to the Indenture.

"State" means the State of California.

"Superintendent of Business Services" means the Superintendent of Business Services of the Moreno Valley Unified School District or his or her designee.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 2002-1 which have not been prepaid pursuant to Section H or, which are not exempt from the Special Tax pursuant to law or Section E below.

"Taxable Property Owner Association Property" means all Assessor's Parcels of Property Owner Association Property that are not exempt pursuant to Section E below.

"Taxable Public Property" means all Assessor's Parcels of Public Property that are not exempt pursuant to Section E below.

"Taxable Religious Property" means all Assessor's Parcels of Religious Property that are not exempt pursuant to Section E below.

"Trustee" means the trustee or fiscal agent under the Indenture.

"Undeveloped Property" means, for each Fiscal Year, all Taxable Property not classified as Developed Property, Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property as of January 1st of the prior Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2002-1 shall be classified as Developed Property, Taxable Religious Property, Taxable Public Property, Taxable Property Owner Association Property, or Undeveloped Property, and shall be subject to Special Taxes

in accordance with this rate and method of apportionment determined pursuant to Sections C and D below.

Assessor Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property. An Assessor Parcel of Residential Property shall further be classified to its appropriate Land Use Category based on the Developed Floor Area of such Assessor Parcel.

C. MAXIMUM SPECIAL TAX RATE

1. **Developed Property**

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel of Residential Property that is classified as Developed Property shall be the greater of (i) the amount derived by application of the Assigned Special Tax or (ii) the amount derived by application of the Backup Special Tax.

The Maximum Special Tax for each Assessor Parcel of Non-Residential Property shall be the Assigned Special Tax described in Table 1.

b. Assigned Special Tax

The Assigned Special Tax for each Assessor Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property

| Land Use Category | Taxable Unit | | Assigned Special Tax Per Taxable Unit |
|--------------------------------|--------------|--------------------------------|---------------------------------------|
| 1 - Residential Property | D/U | 2,801 sq. ft. or greater | \$1,690 |
| 2 - Residential Property | D/U | 2,601 sq. ft. to 2,800 sq. ft. | \$1,647 |
| 3 - Residential Property | D/U | 2,301 sq. ft. to 2,600 sq. ft. | \$1,456 |
| 4 - Residential Property | D/U | 2,101 sq. ft. to 2,300 sq. ft. | \$1,421 |
| 5 - Residential Property | D/U | 1,851 sq. ft. to 2,100 sq. ft. | \$1,334 |
| 6 - Residential Property | D/U | 1,651 sq. ft. to 1,850 sq. ft. | \$1,221 |
| 7 - Residential Property | D/U | 1,501 sq. ft. to 1,650 sq. ft. | \$1,169 |
| 8 - Residential Property | D/U | 1,500 sq. ft. or less | \$1,100 |
| 9 - Non - Residential Property | Acre | N/A | \$11,988 |

c. Backup Special Tax

When a Final Map is recorded within CFD 2002-1, the Backup Special Tax for the Assessor Parcels of Residential Property within such Final Map area shall be determined. The owner of the property within the Final Map area shall provide the Superintendent of Business Services a copy of the recorded Final Map and a listing of the square footage of each residential lot within such Final Map.

For Assessor Parcels of Residential Property within a Final Map, the Backup Special Tax shall be determined by multiplying \$11,988 by the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Taxable Religious Property, Taxable Public Property and Taxable Property Owner's Association Property in such Final Map and dividing such amount by the number of Assessor Parcels that are or are expected to be Residential Property (i.e., the number of residential lots) within such Final Map.

Notwithstanding the foregoing, if all or any portion of the Final Map(s) described in the preceding paragraph is subsequently changed or modified, then the Backup Special Tax for each Assessor's Parcel of Residential Property in such Final Map area that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Special Taxes anticipated to apply to the changed or modified Final Map area prior to the change or modification.
2. The result of paragraph 1. above shall be divided by the total Acreage of Taxable Property excluding the Acreage associated with Non-Residential Property, Taxable Religious Property, Taxable Public Property, and Taxable Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area, as reasonably determined by the Superintendent of Business Services.
3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property classified as Residential Property in such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax may be levied.

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

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property, Taxable Religious Property, Taxable Public Property, and Taxable Property Owner Association Property within CFD 2002-1 shall be \$11,988 per Acre.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2002-2003 and for each following Fiscal Year, the School District shall levy the Special Tax as follows:

First: The Special Tax shall be levied on each Assessor's Parcel of Developed Property at the applicable Assigned Special Tax;

Second: If additional moneys are needed to satisfy the Special Tax Requirement after the first step has been completed, the Special Tax shall be levied Proportionately on each Assessor's Parcel of Undeveloped Property at up to 100% of the Maximum Special Tax for Undeveloped Property;

Third: If additional moneys 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 the Maximum Special Tax for each such Assessor's Parcel;

Fourth: If additional moneys 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 Taxable Religious Property, Taxable Public Property and Taxable Property Owner Association Property up to the Maximum Special Tax for Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property.

E. EXEMPTIONS

No Special Tax shall be levied on up to 45.27 Acres of Religious Property, Public Property and Property Owner Association Property. Tax-exempt status will be irrevocably assigned by the Superintendent of Business Services in the chronological order in which property becomes Religious Property, Public Property or Property Owner Association Property. Religious Property, Public Property or Property Owner Association Property that is not exempt from Special Taxes under this section shall be subject to the levy of the Special Tax and shall be taxed Proportionately as part of the fourth step in Section D above, at up to 100% of the applicable Maximum Special Tax for Taxable Religious Property, Taxable Public Property or Taxable Property Owner Association Property, if such property does not prepay the Special Tax pursuant to Section H.1.

F. REVIEW/APPEAL COMMITTEE

The School District shall establish as part of the proceedings and administration of CFD No. 2002-1 a special three-member Review/Appeal Committee. Any landowner or resident who feels that the amount of the Special Tax, as to their Assessor's Parcel, is in error, may file a notice with the Review/Appeal Committee appealing the amount of the Special Tax levied on such Assessor Parcel provided such appeal may relate to the Special Tax levy for no more than the three most recent Fiscal Years. The Review/Appeal Committee shall interpret this

Rate and Method of Apportionment and make determinations relative to the annual administration of the Special Tax and any landowner or resident appeals, as herein specified. The decision of the Review/Appeal Committee shall be final and binding as to all persons.

G. MANNER OF COLLECTION

The Special Tax will be collected in the same manner and at the same time as ordinary *ad valorem* property taxes; provided, however, that CFD No. 2002-1 may directly bill the Special Tax, may collect Special Taxes at a different time or in a different manner if necessary to meet its financial obligations, and may covenant to foreclose and may actually foreclose on delinquent Assessor's Parcels as permitted by the Act.

H. PREPAYMENT OF SPECIAL TAX

The following definitions applies to this Section H:

“Outstanding Bonds” means all previously issued bonds issued and secured by the levy of Special Taxes, which will remain outstanding after the first interest and/or principal payment date following the current Fiscal Year, excluding bonds to be redeemed at a later date with the proceeds of prior prepayments of Maximum Special Taxes.

1. Prepayment in Full

The Maximum Special Tax obligation may only be prepaid and permanently satisfied by an Assessor's Parcel of Developed Property, Undeveloped Property for which a building permit has been issued, Religious Property, Public Property and/or Property Owner's Association Property that is not Exempt Property pursuant to Section E. The Maximum Special Tax obligation applicable to such Assessor's Parcel may be fully prepaid and the obligation of the Assessor's Parcel to pay the Special Tax permanently satisfied as described herein; provided that a prepayment may be made only if there are no delinquent Special Taxes with respect to such Assessor's Parcel at the time of prepayment. An owner of an Assessor's Parcel intending to prepay the Maximum Special Tax obligation shall provide the Superintendent of Business Services with written notice of intent to prepay, and within 5 days of receipt of such notice, the Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2002-1 in calculating the proper amount of a prepayment. Within 15 days of receipt of such non-refundable deposit, the Superintendent of Business Services shall notify such owner of the prepayment amount of such Assessor's Parcel.

- a) The prepayment amount for an Assessor's Parcel will be equal to the present value of the Assigned Special Tax of such Assessor's Parcel and the amount determined pursuant to Section H.1.c., if applicable, using a discount rate equal to the weighted average interest rate on the Outstanding Bonds and the remaining term for which the Special Tax may be levied pursuant to Section I.
- b) A reasonable administrative fee (net of the non-refundable deposit) for determining such prepayment and the call premium, if any, as provided in the bond indenture shall

be added to the amount determined in Section H.1.a. at the date of prepayment to determine the total prepayment amount due. The total prepayment amount shall be distributed in accordance with the Indenture.

- c) If at the date of the prepayment calculation the Assessor's Parcel seeking prepayment is being levied all or a portion of the Backup Special Tax as a result of the total Residential Property units within CFD No. 2002-1 at buildout being less than the total estimated residential units that were assumed when the Bonds were issued as determined by the Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for such Assessor's Parcel shall be added to the Assigned Special Tax in Section H.1.a. for purposes of calculating the prepayment amount.

Upon cash payment of the prepayment amount due pursuant to Section H.1.b. and upon owner providing confirmation from the County to the Superintendent of Business Services that the current Fiscal Year's Special Tax levy for such Assessor's Parcel has been paid, the School District shall cause a suitable notice to be recorded in compliance with the Act, to indicate the prepayment of Special Taxes and the release of the Special Tax lien on such Assessor's Parcel, and the obligation of 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 that may be levied on Taxable Property both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

2. Prepayment in Part

The Maximum Special Tax on an Assessor's Parcel of Developed Property or an Assessor's Parcel of Undeveloped Property for which a building permit has been issued may be partially prepaid, provided an Assessor's Parcel of Developed Property may only be partially prepaid prior to or concurrent with the close of escrow of a sale to the initial homebuyer. The amount of the prepayment shall be calculated as in Section H.1; except that a partial prepayment shall be calculated according to the following formula:

$$PP = (P_E \times F) + G$$

These terms have the following meaning:

PP = the partial prepayment amount

P_E = the prepayment amount calculated according to Section H.1.a. and the call premium, if any, as determined by Section H.1.b.

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

G = the administrative fee determined in Section H.1.b.

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Superintendent of Business Services of (i) such owner's intent to partially

prepay the Maximum Special Tax, and (ii) the percentage by which the Maximum Special Tax shall be prepaid, and within 5 days of receipt of such notice, the Superintendent of Business Services shall notify such owner of the amount of the non-refundable deposit determined to cover the cost to be incurred by CFD No. 2002-1 in calculating the proper amount of a partial prepayment. Within 15 days of receipt of such non-refundable deposit, the Superintendent of Business Services shall notify such owner of the partial prepayment amount of such Assessor's Parcel.

With respect to any Assessor's Parcel that is partially prepaid, the Superintendent of Business Services shall (i) distribute the funds remitted to it according to the Indenture, and (ii) indicate in the records of CFD No. 2002-1 that there has been a partial prepayment of the Maximum Special Tax and that a portion of the Maximum Special Tax equal to the outstanding percentage (1.00 - F) of the remaining Maximum Special Tax shall continue to be authorized to be levied on such Assessor's Parcel pursuant to Section D.

I. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on all Assessor's Parcels of Taxable Property until the Fiscal Year 2037-38.