

RATE AND METHOD OF APPORTIONMENT FOR
MORENO VALLEY UNIFIED SCHOOL DISTRICT
COMMUNITY FACILITIES DISTRICT NO. 2017-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels within Community Facilities District No. 2017-1 ("CFD No. 2017-1") of the Moreno Valley Unified School District ("School District") and collected each Fiscal Year commencing in Fiscal Year 2017/2018, in an amount determined by the School District, through the application of this Rate and Method of Apportionment as described below. All of the real property within CFD No. 2017-1, 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 acreage of an Assessor's Parcel as shown on an Assessor's Parcel Map. If the acreage is not shown on an Assessor's Parcel Map, the acreage shown on the applicable Final Map, parcel map, condominium plan, or other recorded County map shall be used. If the acreage information supplied by these alternative sources is not available, or in conflict, the acreage used shall be determined by the Assistant Superintendent of Business Services or a designee.

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, 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. 2017-1: for 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. 2017-1 or any designee thereof of complying with arbitrage rebate requirements; the costs to the School District, CFD No. 2017-1 or any designee thereof of complying with School District's, CFD No. 2017-1's 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 cost associated with the computation of the Backup Special Tax; the costs of the School District, CFD No. 2017-1 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. 2017-1 for any other administrative purposes of CFD No. 2017-1, 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 on 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.1.b below.

“Assistant Superintendent of Business Services” means the Assistant Superintendent of Business Services of the School District or the Chief Business Official of the School District, as appropriate, or his or her designee.

“Backup Special Tax” means the Special Tax applicable to each Assessor’s Parcel of Developed Property, as determined in accordance with Section C.1.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. 2017-1, under the Act which are secured by the levy of Special Taxes of CFD No. 2017-1.

“CFD No. 2017-1” means Community Facilities District No. 2017-1 of the Moreno Valley Unified School District.

“City” means the City of Moreno Valley, California.

“County” means the County of Riverside, California.

“Developed Floor Area” means all of the square footage within the perimeter of a residential structure, not including any carport, walkway, garage, overhang, patio, enclosed patio, detached accessory structure, or similar area.

“Developed Property” means, for each Fiscal Year, all Taxable 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.*), an applicable local ordinance or recordation of a condominium plan pursuant to California Civil Code Section 6624 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 shall be levied in any Fiscal Year on any Assessor’s Parcel.

“Non-Residential Property” means all Assessor’s 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.

“Property Owner Association Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2017-1 that is owned by or irrevocably dedicated to a property owner association, including any master or sub-association as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year provided however, that no such classification shall reduce the sum of all Taxable Property to less than 17.55 Acres as described in Section E.

“Proportionately” 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 whose Maximum Special Tax is derived by the application of the Backup Special Tax. For Undeveloped 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.

“Public Property” means, for each Fiscal Year, any property within the boundaries of CFD No. 2017-1 that is (i) used for rights-of-way or any other purpose and is owned by or irrevocably dedicated to the federal government, the State, the County, the City or any other public agency as shown on the equalized roll of the County which is available on or about July 1st of the 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 shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year, provided however, that no such classification shall reduce the sum of all Taxable Property to less than 17.55 Acres as described in Section E and provided 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 a Land Use Category in accordance with its zoning or use whichever is greater.

“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.

“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. 2017-1 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 replenish any reserve funds for all Outstanding Bonds; (v) pay directly for acquisition or construction of facilities that are eligible to be financed through CFD No. 2017-1 under the Act, as reasonably determined by the District, so long as the inclusion of such amount does not cause an increase in the Special Tax attributable to the Undeveloped Property; (vi) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate of Special Taxes within CFD No. 2017-1, levied in the previous Fiscal Year if available or if not available, the lowest delinquency rate of all community facilities districts of the Moreno Valley Unified School District, less (vii) a credit for funds available to reduce the annual Special Tax levy, as determined by the Assistant Superintendent of Business Services 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. 2017-1 which have not been prepaid pursuant to Section J or, which are not exempt from the Special Tax pursuant to law or 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 as shown on the equalized roll of the County which is available on or about July 1st of the Fiscal Year.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 2017-1 shall be classified as Developed 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’s Parcels of Developed Property shall further be classified as Residential Property or Non-Residential Property.

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's 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's Parcel of Developed Property is shown in Table 1 below.

TABLE 1
Assigned Special Taxes for Developed Property
Fiscal Year 2017/2018

| Land Use Category | Taxable Unit | Developed Floor Area | Assigned Special Tax Per Taxable Unit |
|------------------------------|--------------|--------------------------------|---------------------------------------|
| 1 - Residential Property | DU | 1,700 sq. ft. or Less | \$1,177.92 |
| 2 - Residential Property | DU | 1,701 sq. ft. to 1,900 sq. ft. | \$1,236.01 |
| 3 - Residential Property | DU | 1,901 sq. ft. to 2,300 sq. ft. | \$1,272.31 |
| 4 – Residential Property | DU | 2,301 sq. ft. to 2,500 sq. ft. | \$1,395.74 |
| 5 – Residential Property | DU | 2,501 sq. ft. or Greater | \$1,446.55 |
| 6 – Non-residential Property | Acre | N/A | \$12,107.49 |

c. Backup Special Tax

The Backup Special Tax per Assessor's Parcel of Residential Property within the portion of Tract 32515 within the boundaries of CFD No. 2017-1 has been determined by multiplying \$12,107.49 for Fiscal Year 2017/2018 by the total Acreage of Taxable Property, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner's Association Property in such Final Map which is contained within the boundaries of CFD No. 2017-1 and dividing such amount by the number of Assessor's Parcels that are or are expected to be Residential Property (i.e., the number of residential lots or dwelling units) within the Final Map which is contained within the boundaries of CFD No. 2017-1. Table 2 below provides the Backup Special Tax for Fiscal Year 2017/2018 for Tract 32515.

TABLE 2
Backup Special Taxes
Fiscal Year 2017/2018

| Map Status | Final Map* Acreage of Taxable Property | Projected Backup Special Tax per Lot or Dwelling Unit** | Status of Backup Tax** | Number of Dwelling Units |
|------------|--|---|---------------------------|-----------------------------|
| Final Map* | 18.47 | (\$12,107.49 times 18.47 divided by 161 lots) \$1,388.97. | Final | 161 |

* Note: The portion of the Final Map within the boundaries of CFD No. 2017-1.

** Note: The Backup Special Tax per lot or dwelling unit shown may be modified as described below.

Notwithstanding the foregoing, if all or any portion of the Final Map contained within the boundaries of CFD No. 2017-1 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 contained within the boundaries of CFD No. 2017-1 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 within such changed or modified Final Map area, excluding the Acreage associated with Non-Residential Property, Public Property and Property Owner Association Property which is ultimately expected to exist in such changed or modified Final Map area contained within the boundaries of CFD No. 2017-1, as reasonably determined by the Assistant 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 contained within the boundaries of CFD No. 2017-1 for all remaining Fiscal Years in which the Special Tax may be levied.

d. Escalation

Commencing on January 1, 2018 to be effective for Fiscal Year 2018/2019, the Assigned Special Taxes and the Backup Special Tax shall escalate by two percent (2%) annually and annually thereafter.

2. Undeveloped Property

a. Maximum Special Tax

The Maximum Special Tax for Undeveloped Property within CFD 2017-1 shall be \$12,107.49 per Acre.

b. Escalation

Commencing on January 1, 2018 to be effective for Fiscal Year 2018/2019, the Maximum Special Tax for Undeveloped Property shall escalate by two percent (2%) annually and annually thereafter.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2017/2018 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 including Public Property and Property Owner Association Property which is not then exempt at up to 100% of the Maximum Special Tax for Undeveloped Property; and

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 as to each such Assessor's Parcel.

E. EXEMPTIONS

Any property within the Boundaries of CFD No. 2017-1 that is owned or irrevocably dedicated to a public agency as of the date of formation of CFD No. 2017-1 shall be exempt from the special tax in accordance with Section 53340 of the Act. The Taxable Property has been determined at formation to be equal to 18.47 acres.

Tax exempt status will be irrevocably assigned by the Assistant Superintendent of Business Services in the chronological order in which property becomes Non-Residential Property, Public Property or Property Owner Association Property provided however, that no such classification shall reduce the sum of all Taxable Property to less than 17.55 Acres. Non-

Residential Property, Public Property or Property Owner Association Property that would, if designated as exempt, cause the sum of all Taxable Property to be less than 17.55 Acres shall be required to either (i) prepay the Special Tax on such property in full at the then applicable rate per Acre for Undeveloped Property pursuant to Section J.1 or (ii) be subject to taxation as Undeveloped Property pursuant to the second step of Section D. Assessor's Parcels, or portions thereof, developed as Non-Residential Property are subject to the payment of applicable statutory fees.

F. APPEAL

Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Assistant Superintendent of Business Services not later than twelve months after having paid the first installment of the Special Tax that is disputed. The Assistant Superintendent of Business Services shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax, and rule on the appeal. If the Assistant Superintendent of Business Service's decision requires that the Special Tax 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), but an adjustment shall be made to the Annual Special Tax on that Assessor's Parcel in the subsequent Fiscal Year(s).

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. 2017-1 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. EXCESS ASSIGNED ANNUAL SPECIAL TAX FROM DEVELOPED PROPERTY

In any Fiscal Year, when proceeds of Assigned Annual Special Tax for Developed Property are greater than principal and interest on Bonds and the Administrative Expenses, such amount shall be available for the School District subject to any required reserve fund replenishment. The School District shall use proceeds for acquisition, construction or financing school facilities in accordance with the Act and other applicable law as determined by the School District.

I. PUBLIC FACILITIES TO BE FINANCED

The proposed facilities to be financed include any school facility or facilities with an estimated useful life of five years or longer needed by the School District including, without limitation: sites; on-site and off-site improvements (including landscaping, access roadways,

drainage, sidewalks and gutters, utility lines, playground areas and equipment); classrooms; recreational facilities; on-site school offices and other administrative spaces; central (off-site) support and administrative facilities; interim student housing; transportation facilities; and furnishings and equipment, including, but not by way of limitation the following:

1. Acquisition of land, buildings, appurtenances, athletic fields, playgrounds, and improvements thereto, including, but not by way of limitation, portable or relocatable buildings, additions to existing buildings or interim facilities;
 - a. Central administration and support facilities;
 - b. Technology equipment and infrastructure therefor, including mobile devices;
 - c. Furnishings, equipment, buses, and vehicles; and
 - d. Modernization, rehabilitation and expansion of the foregoing and similar facilities to meet education policies as reasonably determined by the Board of Trustees of the School District.
2. The costs attributable to planning, engineering, designing, coordinating, leasing, financing, acquiring, expanding, relocating, rehabilitating, or constructing (or any combination thereof) of School Facilities described in the Resolution of Intention (including, without limitation, construction management, inspection, materials testing, and construction staking); any Bonds; the costs to issue and sell any such Bonds (including, without limitation, underwriters discount, appraisals, market studies, reserve fund, capitalized interest, bond counsel, special tax consultant, bond trustee or fiscal agent, bond and official statement printing, and administrative expenses of the School District and/or CFD No. 2017-1), and all other incidental expenses.

The School Facilities described above are representative of the types of improvements to be funded or financed by the CFD No. 2017-1. Addition, deletion or modification of School Facilities may be made consistent with the requirements of the School District, CFD No. 2017-1, and the Act. The foregoing is only by way of explanation and is not a limitation or change to any of the provisions of this Rate and Method of Apportionment.

J. PREPAYMENT OF SPECIAL TAX

The following definition applies to this Section J:

“Outstanding Bonds” means all previously issued bonds 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, and 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 Assistant Superintendent of Business Services with written notice of intent to prepay, and within five (5) days of receipt of such notice, the Assistant 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. 2017-1 in calculating the proper amount of a prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant 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 J.1.c., if applicable, using a discount rate equal to 6.0% prior to the Issuance of Bonds or the weighted average interest rate on the Outstanding Bonds and the remaining term for which the Special Tax may be levied pursuant to Section K. Special Taxes that have already been levied as of the date of the prepayment shall not be considered in the calculations made pursuant to this Section J.1.
- 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 Indenture shall be added to the amount determined in Section J.1.a. 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 all or a portion of the Backup Special Tax is being levied as a result of the total Residential Property units within CFD No. 2017-1 at build out being less than the total estimated residential units that were assumed when the Bonds were issued as determined by the Assistant Superintendent of Business Services, that portion of the Backup Special Tax being levied in excess of the Assigned Special Tax for the Assessor's Parcel which is seeking the prepayment shall be added to the Assigned Special Tax in Section J.1.a. (before calculating the present value) for purposes of calculating the prepayment amount.

Upon cash payment of the prepayment amount due pursuant to the above and upon owner providing confirmation from the County to the Assistant Superintendent of Business Services that all prior and current Fiscal Year's Special Taxes, including any delinquency penalties and interest, 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 J.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 J.1.a., and the call premium, if any, as determined by Section J.1.b.

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

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

The owner of an Assessor's Parcel who desires to partially prepay the Maximum Special Tax shall notify the Assistant 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 five (5) days of receipt of such notice, the Assistant 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. 2017-1 in calculating the proper amount of a partial prepayment. Within fifteen (15) days of receipt of such non-refundable deposit, the Assistant 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 Assistant 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. 2017-1 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.

K. TERM OF THE SPECIAL TAX

The Special Tax shall be levied annually on all Assessor's Parcels of Taxable Property for a maximum of thirty-five (35) years as Developed Property.