2004 RATE AND METHOD OF APPORTIONMENT FOR COMMUNITY FACILITIES DISTRICT NO. 2002-1 IMPROVEMENT AREA A OF VAL VERDE UNIFIED SCHOOL DISTRICT

The following sets forth the 2004 Rate and Method of Apportionment for the levy and collection of Special Taxes in Improvement Area ("IA") A of Community Facilities District No. 2002-1 ("CFD No. 2002-1") of Val Verde Unified School District ("School District"). An Annual Special Tax shall be levied on and collected in IA A of CFD No. 2002-1 each Fiscal Year, in an amount determined through the application of the Rate and Method of Apportionment described below. All of the real property in IA A of 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.

SECTION A
DEFINITIONS

The terms hereinafter set forth have the following meanings:

"Acre" or "Acreage" means the number of acres of land area of an Assessor's Parcel Map as shown on an Assessor's Parcel Map, or if the land area is not shown on an Assessor's Parcel Map, the Board may rely on the land area shown on the applicable Final Map, parcel map, condominium plan, or other recorded parcel map at the County.

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

"Administrative Expenses" means any ordinary and necessary expense incurred by the School District on behalf of IA A of CFD No. 2002-1 related to the determination of the amount of the levy of Special Taxes, the collection of Special Taxes including the expenses of collecting delinquencies, the administration of Bonds, the payment of salaries and benefits of any School District employee whose duties are directly related to the administration of IA A of CFD No. 2002-1, and costs otherwise incurred in order to carry out the authorized purposes of IA A of CFD No. 2002-1.

"Annual Special Tax" means the Special Tax actually levied in any Fiscal Year on any Assessor's Parcel.

"Assessor's Parcel" means a lot or parcel of land designated on an Assessor's Parcel Map with an assigned Assessor's Parcel Number within the boundaries of IA A of CFD No. 2002-1.

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

"Assessor's Parcel Number" means that number assigned to an Assessor's Parcel by the County for purposes of identification.

"Assigned Annual Special Tax" means the Special Tax of that name described in Section D.

"**Backup Annual Special Tax**" means the Special Tax of that name described in Section E.

"Board" means the Board of Education of Val Verde Unified School District, or its designee, acting as the legislative body of IA A of CFD No. 2002-1.

"Bond Index" means the national Bond Buyer Revenue Bond Index, commonly referenced as the 25-Bond Revenue Index. In the event the Bond Index ceases to be published, the index used shall be based on a comparable index for revenue bonds maturing in 30 years with an average rating equivalent to Moody's A1 and S& P's A-plus, as reasonably determined by the Board.

"**Bonds"** means any obligation to repay a sum of money, including obligations in the form of bonds, notes, 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, which obligation may be incurred by IA A of CFD No. 2002-1 of the School District.

"Building Permit" means a permit for the construction of one or more Units issued by the County, or another public agency in the event the County no longer issues permits for the construction of Units within IA A of CFD No. 2002-1. For purposes of this definition, "Building Permit" shall not include permits for construction or installation of commercial/industrial structures, parking structures, retaining walls, utility improvements, or other such improvements not intended for human habitation.

"Building Square Footage" or "BSF" means the square footage of assessable internal living spaces of a Unit, exclusive of any carports, walkways, garages, overhangs, patios, enclosed patios, detached accessory structure, or other structures, not used as a living space, as determined by reference to the Building Permit for such a Unit.

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

"County" means the County of Riverside.

"Developed Property" means all the Assessor's Parcels of Taxable Property for which Building Permits were issued on or before May 1 of the prior Fiscal Year and that each such Assessor's Parcel is associated with a Lot, as determined reasonably by the Board.

"Exempt Property" means all Assessors' Parcels designated as being exempt from Special Taxes in Section J.

"Final Map" means a final tract map, parcel map, lot line adjustment, or functionally equivalent map or instrument that creates building sites recorded in the Office of the Recorder of the County.

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

"Lot" means an individual legal lot created by a Final Map for which a Building Permit could be issued.

"Maximum Special Tax" means the maximum Special Tax determined in accordance with Section C that can be levied by IA A of CFD No. 2002-1 in any Fiscal Year on any Assessor's Parcel.

"Minimum Annual Special Tax Requirement" means the amount required in any Fiscal Year to pay: (i) the debt service or the periodic costs on all outstanding Bonds, (ii) Administrative Expenses of IA A of CFD No. 2002-1, (iii) the costs associated with the release of funds from an escrow account and (iv) any amount required to establish or replenish any reserve funds established in association with the Bonds, less (v) any amount available to pay debt service or other periodic costs on the Bonds pursuant to any applicable bond indenture, fiscal agent agreement or trust agreement.

"Minimum Taxable Acreage" means, for either Zone, the applicable Acreage listed in Table 4.

"Partial Prepayment Amount" means the amount required to prepay a portion of the Annual Special Tax obligation for an Assessor's Parcel as described in Section H.

"Prepayment Administrative Fees" means the fees and expenses associated with the prepayment, including the costs of computation of the Prepayment Amount, costs of redeeming Bonds, and costs of recording any notices to evidence the prepayment and redemption of Bonds.

"Present Value of Taxes" means the present value of any Special Tax applicable to such Assessor's in the current Fiscal Year not yet received by the School District for IA A of CFD No. 2002-1, plus the expected Annual Special Tax applicable to such Assessor's Parcel in each remaining Fiscal Year until the termination date specified in Section H, using as the discount rate (i) the Yield On the Bonds after Bond Issuance or (ii) the most recently published Bond Index prior to Bond Issuance.

"Prepayment Amount" means the amount required to prepay the Annual Special Tax Obligation in full for an Assessor's Parcels as described in Section G

"Proportionately" means that the ratio of the actual Annual Special Tax levy to the applicable Special Tax is equal for all applicable Assessor's Parcels.

"Reserve Fund Credit" shall be calculated as a reduction in the reserve fund for the Bonds proportional to the principal amount of Bonds to be redeemed pursuant to the prepayment. Notwithstanding the foregoing, if a surety bond or other instrument satisfies the reserve requirement at the time of the prepayment, then no Reserve Fund Credit shall be given.

"School District" means the Val Verde Unified School District.

"Special Tax(es)" means any of the special taxes authorized to be levied by IA A of CFD No. 2002-1 pursuant to the Act.

"Taxable Property" means all Assessors' Parcels which are not Exempt Property.

"Undeveloped Property" means all Assessors' Parcels of Taxable Property which are not Developed Property.

"Unit" means each separate residential dwelling unit which comprises an independent facility capable of conveyance separate from adjacent residential dwelling units.

"Yield on the Bonds" means the arbitrage yield for the last series of Bonds issued.

"Zone" means the areas identified as a Zone in Exhibit A to this Rate and Method of Apportionment.

"Zone 1" means all property located within the area identified as Zone 1 in Exhibit A to this Rate and Method of Appointment, subject to interpretation by the Board as described in Section B.

"Zone 2" means all property located within the area identified as Zone 2 in Exhibit A to this Rate and Method of Appointment, subject to interpretation by the Board as described in Section B.

SECTION B
CLASSIFICATION OF ASSESSOR'S PARCELS

Each Fiscal Year, beginning with Fiscal Year 2004-2005, (i) each Assessor's Parcel within IA A of CFD No. 2002-1 shall be assigned to a Zone in accordance with Exhibit A at the reasonable discretion of the Board; (ii) each Assessor's Parcel within a Zone of IA A of CFD No. 2002-1 shall be classified as Taxable Property or Exempt Property; and (iii) each Assessor's Parcel of Taxable Property shall be classified as Developed Property or Undeveloped Property. Developed Property shall be further classified based on the Building Square Footage of the Unit. The classification of Taxable Property assigned to a Zone shall take into consideration the Minimum Taxable Acreage of each Zone.

SECTION C
MAXIMUM SPECIAL TAXES

1. Developed Property

The Maximum Special Tax for each Assessor's Parcel classified as Developed Property in any Fiscal Year shall be the amount determined by the greater of (i) the application of the Assigned Annual Special Tax or (ii) the application of the Backup Annual Special Tax.

2. Undeveloped Property

The Maximum Special Tax for each Assessor's Parcel classified as Undeveloped Property in any Fiscal Year shall be the amount determined by the application of the Assigned Annual Special Tax.

SECTION D
ASSIGNED ANNUAL SPECIAL TAXES

1. Developed Property

The Assigned Annual Special Tax applicable to an Assessor's Parcel of Developed Property for Fiscal Year 2003-2004 shall be determined pursuant to Table 1 for Zone 1 and Table 2 for Zone 2. For each Fiscal Year thereafter, the Assigned Annual Special Tax shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

TABLE 1

DEVELOPED PROPERTY IN ZONE 1 FISCAL YEAR 2003-04 ASSIGNED ANNUAL SPECIAL TAX RATES	
BUILDING SQUARE FEET	**ASSIGNED ANNUAL SPECIAL TAX**
< 3,000 BSF	$2,866.93 per Unit
3,000 – 3,400 BSF	$3,019.68 per Unit
> 3,400 BSF	$3,154.64 per Unit

TABLE 2

DEVELOPED PROPERTY IN ZONE 1 FISCAL YEAR 2003-04 ASSIGNED ANNUAL SPECIAL TAX RATES	
BUILDING SQUARE FEET	**ASSIGNED ANNUAL SPECIAL TAX**
< 3,500 BSF	$3,059.37 per Unit
3,500 – 3,900 BSF	$3,218.15 per Unit
> 3,900 BSF	$3,337.24 per Unit

2. Undeveloped Property

The Assigned Annual Special Tax rate for an Assessor's Parcel of Undeveloped Property for Fiscal Year 2003-04 shall be determined by reference to Table 3. For each Fiscal Year thereafter, the Assigned Annual Special Tax rate for Undeveloped Property shall be increased by two percent (2.00%) of the amount in effect in the prior Fiscal Year.

TABLE 3

UNDEVELOPED PROPERTY FISCAL YEAR 2003-04 ASSIGNED SPECIAL TAX RATES	
Zone	**Assigned Annual Special Tax**
Zone 1	$10,706.32 per acre of Acreage
Zone 2	$5,546.31 per acre of Acreage

SECTION E
BACKUP ANNUAL SPECIAL TAXES

Each Fiscal Year, each Assessor's Parcel of Developed Property shall be subject to a Backup Annual Special Tax. In each Fiscal Year, the Backup Annual Special Tax Rate for Developed Property shall be the rate per Lot calculated according to the following formula:

$$B = \frac{Z \times A}{L}$$

The terms above have the following meanings:

B	=	Backup Annual Special Tax per Lot for the applicable Fiscal Year
Z	=	Assigned Annual Special Tax per acre of Acreage for Undeveloped Property in the applicable Zone for the applicable Fiscal Year
A	=	Acreage of Taxable Property expected to exist in the applicable Final Map at build out, as determined by the Board pursuant to Section J
L	=	Lots in the 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 Annual Special Tax for each Assessor's Parcel of Developed Property in such Final Map that is changed or modified shall be a rate per square foot of Acreage calculated as follows:

1. Determine the total Backup Annual 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 Acreage of Taxable Property which is ultimately expected to exist in such changed or modified Final Map Area, as reasonably determined by the Board.

3. The result of paragraph 2 above shall be divided by 43,560. The result is the Backup Annual Special Tax per square foot of Acreage which shall be applicable to Assessor's Parcels of Developed Property in

such changed or modified Final Map area for all remaining Fiscal Years in which the Special Tax may be levied.

SECTION F
METHOD OF APPORTIONMENT OF THE ANNUAL SPECIAL TAX

Commencing Fiscal Year 2004-05 and for each subsequent Fiscal Year, the Board shall levy Annual Special Taxes as follows:

Step One: The Board shall levy an Annual Special Tax on each Assessor's Parcel of Developed Property in an amount equal to the Assigned Annual Special Tax applicable to each such Assessor's Parcel.

Step Two: If the sum of the amounts collected in step one is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Undeveloped Property up to the Assigned Annual Special Tax applicable to each such Assessor's Parcel to satisfy the Minimum Annual Special Tax Requirement.

Step Three: If the sum of the amounts collected in steps one and two is insufficient to satisfy the Minimum Annual Special Tax Requirement, then the Board shall Proportionately levy an Annual Special Tax on each Assessor's Parcel of Developed Property whose Maximum Special Tax is the Backup Annual Special Tax, up to the Maximum Special Tax applicable to each such Assessor's Parcel, to satisfy the Minimum Annual Special Tax Requirement.

SECTION G
PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of 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 prepaid. An owner of an Assessor's Parcel intending to prepay the Annual Special Tax obligation shall provide IA A of CFD No. 2002-1 with written notice of intent to prepay. Within thirty (30) days of receipt of such written notice, the Board shall reasonably determine the Prepayment Amount of such Assessor's Parcel and shall notify such owner of such Prepayment Amount. In addition, any property owner prepaying his or her Annual Special Tax obligation must also pay all delinquent Special Taxes, interest and penalties owing on the Assessor's Parcel on which payment is being made, if any. The Prepayment Amount shall be calculated according to the following formula:

$$P=PVT-RFC+PAF$$

The terms above have the following meanings:

P	=	Prepayment Amount
PVT	=	Present Value of Taxes
RFC	=	Reserve Fund Credit
PAF	=	Prepayment Administrative Fee

Notwithstanding the foregoing, no prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds, in each future Fiscal Year and such prepayment will not impair the security of all currently outstanding Bonds, as reasonably determined by the Board. Such determination shall include identifying all Assessor's Parcels that are expected to become Exempt Property.

SECTION H
PARTIAL PREPAYMENT OF ANNUAL SPECIAL TAXES

The Annual Special Tax obligation of an Assessor's Parcel, as calculated in Section H.2., below, may be partially prepaid at the times and under the conditions set forth in this section, provided that there are no delinquent Special Taxes, penalties, or interest charges outstanding with respect to such Assessor's Parcel at the time the Annual Special Tax obligation would be prepaid.

1. **Partial Prepayment Times and Conditions**

Prior to the issuance of the first Building Permit for the construction of a production Unit on a Lot within a Final Map area, the owner of no less than all the Taxable Property within such Final Map area may elect in writing to the Board to prepay a portion of the Annual Special Tax obligations for all the Assessor's Parcels within such Final Map area, as calculated in Section H.2, below. The partial prepayment of each Annual Special Tax obligation shall be collected for all Assessors' Parcels prior to the issuance of the first Building Permit with respect to such Final Map.

2. **Partial Prepayment Amount**

The Partial Prepayment Amount shall be calculated according to the following formula:

$$PP = P_G \times F$$

The terms above have the following meanings:

PP= The Partial Prepayment Amount
P_G= The Prepayment Amount calculated according to Section G
F= The percent by which the owner of the Assessor's Parcel is partially prepaying the Annual Special Tax obligation

3. **Partial Prepayment Procedures and Limitations**

With respect to any Assessor's Parcel that is partially prepaid, the Board shall indicate in the records of IA A of CFD No. 2002-1 that there has been a partial prepayment of the Annual Special Tax obligation and shall cause a suitable notice to be recorded in compliance with the Act to indicate the partial prepayment of the Annual Special Tax obligation and the partial release of the Annual Special Tax lien on such Assessor's Parcel, and the obligation of such

Assessor's Parcel to pay such prepaid portion of the Annual Special Tax and Backup Annual Special Tax for the Assessor's Parcels has been reduced by an amount equal to the percentage which was partially prepaid.

Notwithstanding the foregoing, no partial prepayment will be allowed unless the amount of Annual Special Taxes that may be levied on Taxable Property after such partial prepayment, net of Administrative Expenses, shall be at least 1.1 times the regularly scheduled annual interest and principal payments on all currently outstanding Bonds in each future Fiscal Year.

SECTION I
TERMINATION OF SPECIAL TAX

Annual Special Taxes shall be levied for a period of thirty-five (35) Fiscal Years after the last series of Bonds has been issued, as determined by the Board, provided that Annual Special Taxes shall not be levied after Fiscal Year 2044-45

SECTION J
EXEMPTIONS

The Board shall classify as Exempt Property (i) Assessor's Parcels owned by the State of California, 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 used exclusively by a homeowners' association, (iv) Assessor's Parcels with public or utility easements making impractical their utilization for other than the purposes set forth in the easement, (v) Assessor's Parcels developed or expected to be developed exclusively for non-residential use, as reasonably determined by the Board and (vi) any other Assessor's Parcel at the reasonable discretion of the Board, provided that no such classification would reduce the acreage of Taxable Property in such Zone to less than the Minimum Taxable Acreage listed in Table 4. Notwithstanding the above, the Board shall not classify an Assessor's Parcel as Exempt Property if such classification would reduce the Acreage of Taxable Property in such Zone to less than the Minimum Taxable Acreage listed in Table 4. Assessor's Parcels which cannot be classified as Exempt Property because such classification would reduce the Acreage of Taxable Property in such Zone to less that the applicable Minimum Taxable Acreage will continue to be classified as Developed or Undeveloped Property, as applicable, and will continue to be subject to Special Taxes accordingly.

TABLE 4

MINIMUM TAXABLE ACREAGE	
Zone	**Acreage**
Zone 1	97.49
Zone 2	97.57
Total	**195.06**

SECTION K
APPEALS

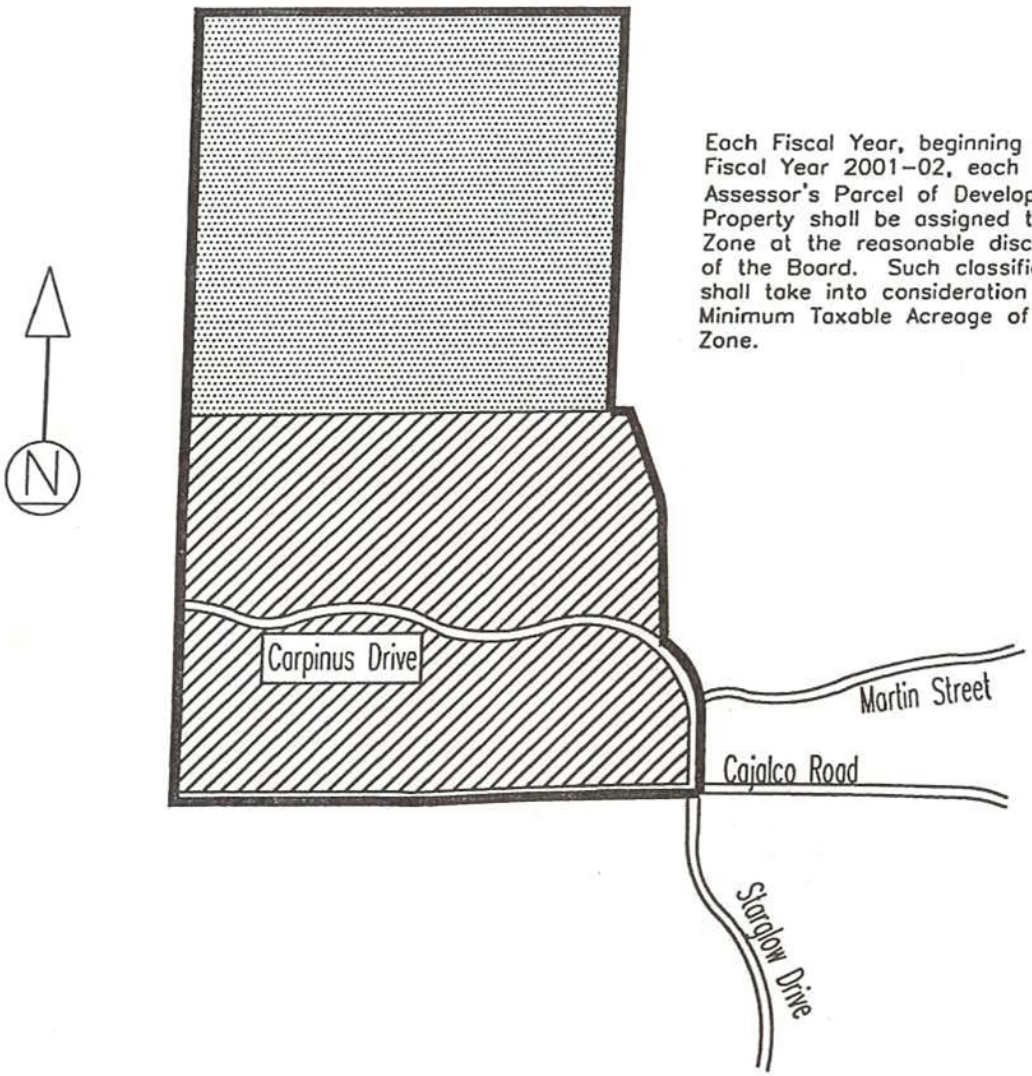
Any property owner claiming that the amount or application of the Special Tax is not correct may file a written notice of appeal with the Board not later than twelve months after having paid the first installment of the Special Tax that is disputed. A representative(s) of IA A of CFD No. 2002-1 shall promptly review the appeal, and if necessary, meet with the property owner, consider written and oral evidence regarding the amount of the Special Tax 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).

SECTION L
MANNER OF COLLECTION

The Annual Special Tax shall be collected in the same manner and at the same time as ordinary *ad valorem* property taxes, provided, however, that IA A of CFD No. 2002-1 may collect Annual Special Taxes at a different time or in a different manner if necessary to meet its financial obligations.

EXHIBIT A
ZONE MAP OF IA A OF CFD NO. 2002-1
(SEE ATTACHMENT)

EXHIBIT "A"
OF RATE AND METHOD OF APPORTIONMENT
ZONE MAP
OF IMPROVEMENT AREA A
COMMUNITY FACILITIES DISTRICT NO. 2002-1
VAL VERDE UNIFIED SCHOOL DISTRICT



Each Fiscal Year, beginning with Fiscal Year 2001-02, each Assessor's Parcel of Developed Property shall be assigned to a Zone at the reasonable discretion of the Board. Such classification shall take into consideration the Minimum Taxable Acreage of each Zone.

LEGEND

	Boundaries of Improvement Area A of Community Facilities District No. 2002-1
	Road
	Zone 1
	Zone 2

Reference is hereby made to the Assessor maps of the County of Riverside for an exact description of the lines and dimensions of each lot and parcel.

PREPARED BY
DAVID TAUSSIG & ASSOCIATES, INC.