RATE AND METHOD OF APPORTIONMENT FOR VAL VERDE UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 98-1

A Special Tax as hereinafter defined shall be levied on all Assessor's Parcels in Val Verde Unified School District (the "School District") Community Facilities District No. 98-1 ("CFD No. 98-1") and collected each Fiscal Year commencing in Fiscal Year 2013-14, in an amount determined by the Board through the application of the appropriate Special Tax for "Developed Property" and "Undeveloped Property" as described below. All of the real property in CFD No. 98-1, 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 parcel 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. 98-1: 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 or its designee of complying with arbitrage rebate requirements; the costs to the School District or its designee of complying with School District 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 or its designee related to an appeal of the Special Tax; costs associated with the release of funds from an escrow account; and School District's annual administration fees and third party expenses. Administrative Expenses shall also include amounts advanced by the School District for any other administrative purposes of CFD No. 98-1, including the costs of 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 Land Use Class, as determined by reference to Section C below.

"Authority Bonds" means the Marks Roos bonds issued by the Val Verde Public Finance Authority.

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

"Board" means the Board of Education of the School District, acting as the legislative body of CFD No. 98-1.

"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. 98-1 under the Act.

"CFD Administrator" means the official of the School District, or designee thereof, responsible for determining the Special Tax Requirement and providing for the levy and collection of the Special Taxes.

"CFD No. 98-1" means Val Verde Unified School District Community Facilities District No. 98-1.

"Commercial Property" means all Assessor's Parcels of Non-Residential Property, excluding Industrial Property.

"County" means the County of Riverside.

"Developed Property" means, for each Fiscal Year, all Taxable Property (i) in Land Use Classes 1 and 2 which are within a residential tract map that was recorded prior to March 1 of the prior Fiscal Year, or (ii) in Land Use Classes 3, 4, or 5 for which a building permit for new construction has been issued prior to March 1 of the prior Fiscal Year.

"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, and any instrument replacing or supplementing the same.

"Industrial Property" means an Assessor's Parcel of Non-Residential Property for which the building permit(s) was issued for construction of a non-residential structure(s) which is primarily used for manufacturing, processing, fabricating, assembly, refining, repairing,

packaging, or treatment of goods, material or produce; research and development; storage facilities; warehousing and distribution of goods, material or produce, multi-tenant industrial uses; or any such use defined Industrial in the zoning code of the City of Moreno Valley.

"Land Use Class" means any of the classes listed in Table 1 below.

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

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

"Outstanding Bonds" means all Bonds which remain outstanding.

"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. 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 property which is dedicated to a public agency in satisfaction of the conditions of development set forth in Specific Plan No. 193 of the City of Moreno Valley or any amendment thereto.

"Religious Property" means for any Fiscal Year, all Assessor's Parcels within CFD No. 98-1 that were owned by a religious organization and used primarily as a place of worship, as determined by the CFD Administrator, as of March 1 of the prior Fiscal Year.

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

"Special Tax" means the special tax to be levied in each Fiscal Year on each Assessor's Parcel of Developed Property and Undeveloped Property to fund the Special Tax Requirement.

"Special Tax Requirement" means that amount required in any Fiscal Year for CFD No. 98-1 to: (i) pay debt service on all Outstanding Bonds; (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 and/or Authority Bonds; and (v) pay for reasonably anticipated delinquent Special Taxes based on the delinquency rate for outstanding Special Taxes levied in the previous Fiscal Year.

"State" means the State of California.

"Taxable Property" means all of the Assessor's Parcels within the boundaries of CFD No. 98-1 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 all Taxable Property not classified as Developed Property.

B. ASSIGNMENT TO LAND USE CATEGORIES

Each Fiscal Year, all Taxable Property within CFD No. 98-1 shall be classified as Developed Property or Undeveloped Property, and shall be subject to Special Taxes in accordance with the rate and method of apportionment determined pursuant to Sections C and D below. Residential property shall be assigned to Land Use Classes 1 through 3 based on density. Assessor's Parcels of Non-Residential Property shall be assigned to Land Use Classes 4 and 5 based on the primary land use of such Assessor's Parcel.

For assigning Assessor's Parcels to Land Use Classes 1 and 2, density shall be determined by reference to the final subdivision tract map for such Assessor's Parcel. For assigning Assessor's Parcels to Land Use Class 3, density shall be determined by reference to the approved site plan relating to the units on file with the City of Moreno Valley.

Non-Residential Property shall be taxed based on the gross building square footage, as determined by reference to the plans upon which a final building permit is issued, or if these are not available, as otherwise determined by the Board.

C. MAXIMUM SPECIAL TAX RATE

1. Developed Property

a. Maximum Special Tax

The Maximum Special Tax for each Assessor's Parcel 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.

b. Assigned Special Tax

The Fiscal Year 2013-14 Assigned Special Tax for each Land Use Class is shown below in Table 1.

c. Increase in the Assigned Special Tax

The Assigned Special Tax in Table 1 shall be applicable for Fiscal Year 2013-14, and shall increase thereafter, commencing on July 1, 2014, and

on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Under no circumstances shall the Assigned Special Tax be levied prior to Fiscal Year 2013-14.

TABLE 1

Assigned Special Taxes for Developed Property in Community Facilities District No. 98-1 (Fiscal Year 2013-14)

Land Use Class	Description	Density	Assigned Special Tax
1	Single Family Detached	Less than 8 units per acre	$955.57 per unit
2	Single Family Attached	8 to 17 units per acre	$422.18 per unit
3	Multifamily	More than 17 units per acre	$363.09 per unit
4	Commercial Property	Not Applicable	$1.00 per building square foot
5	Industrial Property	Not Applicable	$0.48 per building square foot

d. Backup Special Tax

The Fiscal Year 2013-14 Backup Special Tax shall equal $0.1461 per square foot of Assessor's Parcel.

e. Increase in the Backup Special Tax

The Backup Special Tax in Section C.1.d. shall be applicable for Fiscal Year 2013-14, and shall increase thereafter, commencing on July 1, 2014, and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Under no circumstances shall the Backup Special Tax be levied prior to Fiscal Year 2013-14.

2. Undeveloped Property

a. Maximum Special Tax

The Fiscal Year 2013-14 Maximum Special Tax for Undeveloped Property shall be $6,366 per Acre.

b. Increase in the Maximum Special Tax

The Maximum Special Tax for Undeveloped Property in Section C.2.a. shall be applicable for Fiscal Year 2013-14, and shall increase thereafter, commencing on July 1, 2014, and on July 1 of each Fiscal Year thereafter, by an amount equal to two percent (2%) of the amount in effect for the previous Fiscal Year.

Under no circumstances shall the Maximum Special Tax for Undeveloped Property be levied prior to Fiscal Year 2013-14.

D. METHOD OF APPORTIONMENT OF THE SPECIAL TAX

Commencing with Fiscal Year 2013-14 and for each following Fiscal Year, the Board shall determine the Special Tax Requirement to be collected from Taxable Property in CFD No. 98-1 in the Fiscal Year. The Board shall levy the Special Tax as follows:

First: The Special Tax shall be levied Proportionately on each Assessor's Parcel of Developed Property, at up to 87% of the applicable Assigned Special Tax for such Assessor's Parcel of Developed Property;

Second: 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 87% of the Maximum Special Tax for Undeveloped Property;

Third: 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 and Undeveloped Property shall be increased in equal percentages from 87% of the applicable Assigned Special Tax for Developed Property or Maximum Special Tax for Undeveloped Property up to 100% of the applicable Assigned Special Tax for Developed Property or the Maximum Special Tax for Undeveloped Property;

Fourth: If additional monies are needed to satisfy the Special Tax Requirement after the first three 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 in equal percentages from the Assigned Special Tax up to the Maximum Special Tax for each such Assessor's Parcel.

Under no circumstances shall the Special Tax be levied prior to Fiscal Year 2013-14.

E. EXEMPTIONS

No Special Tax shall be levied on up to 20.66 Acres of Public Property or 2 Acres of Religious Property. Tax-exempt status will be irrevocably assigned by the CFD Administrator in the chronological order in which property becomes Public Property or Religious Property.

Public Property, or Religious Property that is not exempt from Special Taxes by this section, shall be subject to the levy of the Special Tax and shall be taxed as if the property were Undeveloped Property. However, on a year to year basis, the CFD Administrator may exempt such Assessor's Parcels from the levy of the Special Tax in any Fiscal Year, provided the Special Tax Requirement can be satisfied without imposing a levy on said Assessor's Parcels.

F. REVIEW/APPEAL COMMITTEE

The Board shall establish as part of the proceedings and administration of CFD No. 98-1 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's Parcel. 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. 98-1 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. Tenders of Bonds may be accepted in lieu of cash under the terms and conditions established by law and CFD No. 98-1.

H. PREPAYMENT OF SPECIAL TAX

Only an Assessor's Parcel of Developed Property or Undeveloped Property which is within a residential tract map (Land Use Classes 1 and 2) or for which a building permit has been issued (Land Use Classes 3, 4, or 5) may be prepaid. The Special Tax obligation applicable to such Assessor's Parcel in CFD No. 98-1 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 Special Tax obligation shall provide CFD No. 98-1 with written notice of intent to prepay. Within 30 days of receipt of such written notice, CFD No. 98-1 shall notify such owner of the prepayment amount of such Assessor's Parcel. Prepayment must be made not less than 45 days prior to the earliest date that notice of redemption of Bonds from the proceeds of such prepayment may be given to the Trustee pursuant to the Indenture.

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

$$P = BR + RP + Def + Admin - RFC - CI$$

The variables are described as follows:

P	-	Prepayment Amount
BR	-	Bond Redemption Amount
RP	-	Redemption Premium
Def	-	Defeasance Amount
Admin	-	Administrative Fees and Expenses
RFC	-	Reserve Fund Credit
CI	-	Capitalized Interest Credit

As of the proposed date of prepayment, the Prepayment Amount shall be calculated as follows:

Paragraph No.:

1. For Assessor's Parcels of Developed Property, compute the Assigned Special Tax and Backup Special Tax applicable for the Assessor's Parcel to be prepaid. For Assessor's Parcels of Undeveloped Property to be prepaid, compute the Assigned Special Tax and Backup 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.

2. (a) Divide the Assigned Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel, or for Undeveloped Property, the Assigned Tax that would have been levied based upon the building permit issued for such Assessor's Parcel, by the estimated Assigned Special Taxes for the entire CFD No. 98-1 based on the Developed Property Special Taxes which could be charged in the current Fiscal Year on all expected development through buildout of CFD No. 98-1, excluding any Assessor's Parcels which have been prepaid, and (b) Divide the Backup Special Tax computed pursuant to paragraph 1 for such Assessor's Parcel by the estimated Backup Special Taxes for the entire CFD No. 98-1 excluding any Assessor's Parcels which have been prepaid.

3. Multiply the larger quotient computed pursuant to paragraph 2(a) or 2(b) by the Outstanding Bonds to compute the amount of Outstanding Bonds to be retired and prepaid (*the "Bond Redemption Amount"*).

4. Multiply the Bond Redemption Amount computed pursuant to paragraph 3 by the applicable redemption premium, if any, on the Outstanding Bonds to be redeemed (*the "Redemption Premium"*).

5. Compute the amount needed to pay interest on the Bond Redemption Amount, the Redemption Premium and the Reserve Fund Credit (see step 12) to be redeemed until the earliest redemption date for the Outstanding Bonds.

6. Confirm that no Special Tax delinquencies apply to such Assessor's Parcel.

7. Determine the Special Taxes levied on the Assessor's Parcel in the current Fiscal Year which have not yet been paid.

8. Compute the minimum amount the CFD Administrator expects to derive from the reinvestment of the Bond Redemption Amount plus the Redemption Premium from the date of prepayment until the redemption date for the Outstanding Bonds to be redeemed with the prepayment.

9. Add the amounts computed pursuant to paragraphs 5 and 7 and subtract the amount computed pursuant to paragraph 8.

10. Compute the Net Present Value of the amount computed pursuant to paragraph 9, using as a discount rate the rate of return assumed by the CFD Administrator in paragraph 8 (the *"Defeasance Amount"*).

11. The administrative fees and expenses of No. 98-1 are as calculated by the CFD Administrator and include 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 "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), 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 as a reduction in the capitalized interest fund, for the Outstanding Bonds to be redeemed pursuant to the prepayment (the *"Capitalized Interest Credit"*).

14. The Special Tax prepayment is equal to the sum of the amounts computed pursuant to paragraphs 3, 4, 10, and 11, less the amounts computed pursuant to paragraphs 12 and 13 *(the "Prepayment Amount")*.

From the Prepayment Amount, the amounts computed pursuant to paragraphs 3, 4, 9, 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 11 shall be retained by CFD No. 98-1.

The Prepayment Amount may be sufficient to redeem 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 be used with the next prepayment of bonds.

As a result of the payment of the current Fiscal Year's Special Tax levy under step 7 (above), the CFD Administrator shall remove the current Fiscal Year's Special Tax levy for such Assessor's Parcel from the County tax rolls. With respect to any Assessor's Parcel that is prepaid, the Board 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 Assigned Special Taxes that may be levied on Taxable Property within CFD No. 98-1 both prior to and after the proposed prepayment is at least 1.1 times the maximum annual debt service on all Outstanding Bonds.

Tenders of Bonds in prepayment of Special Taxes may be accepted upon the terms and conditions established by law and CFD No. 98-1.

I. TERM OF SPECIAL TAX

The Special Tax shall be levied for a term of 30 years beginning in Fiscal Year 2013-14, or until all Bonds are paid.

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